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Canada Railways and
Transportation, Royal Commission
on, 1931/32

(ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION)

REPORT OF PROCEEDINGS

VOLUME III

Halifax - St. John - Quebec
Montreal - Toronto

(Pages 1006--1800)

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616538
11.8.55

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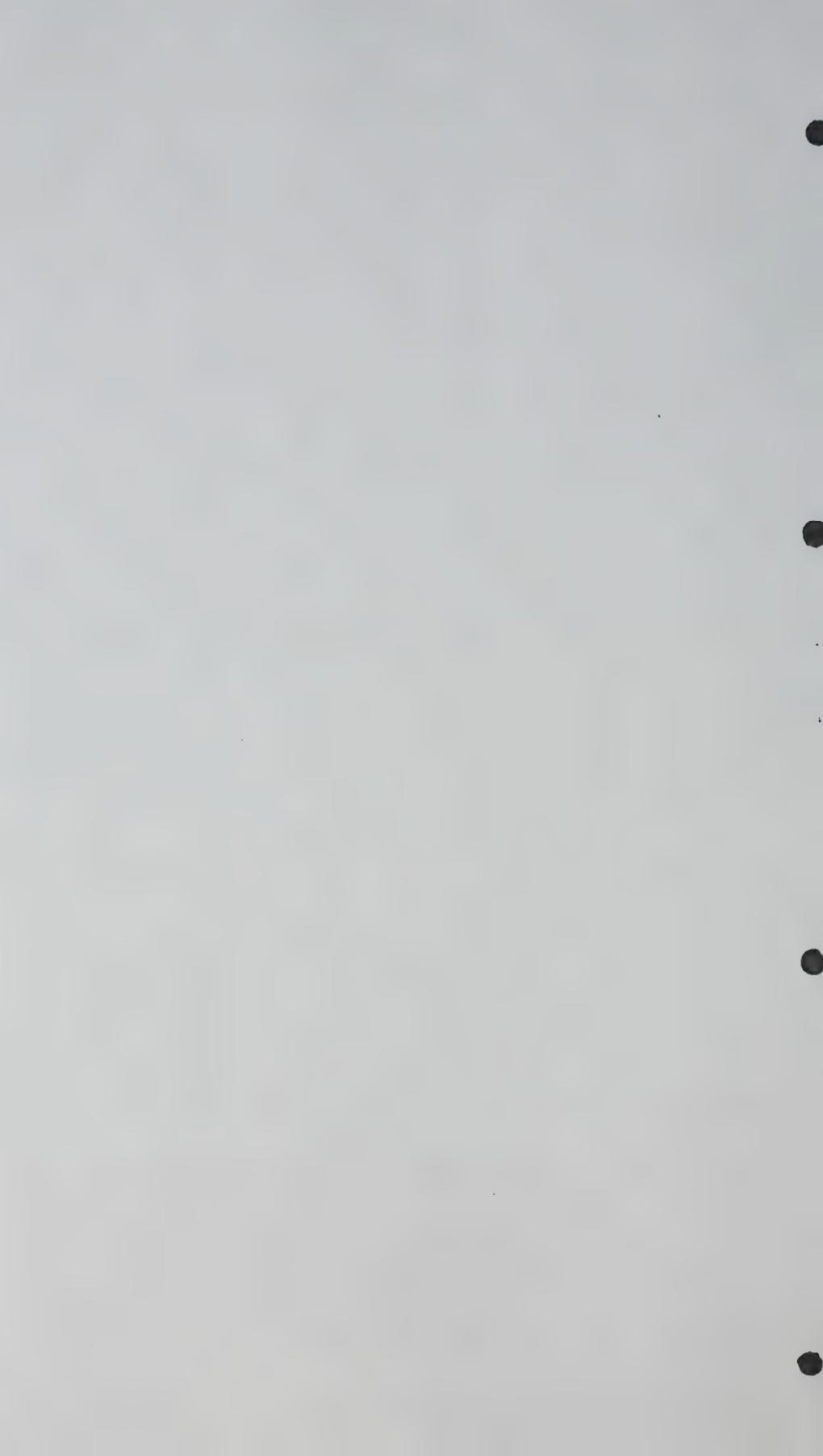
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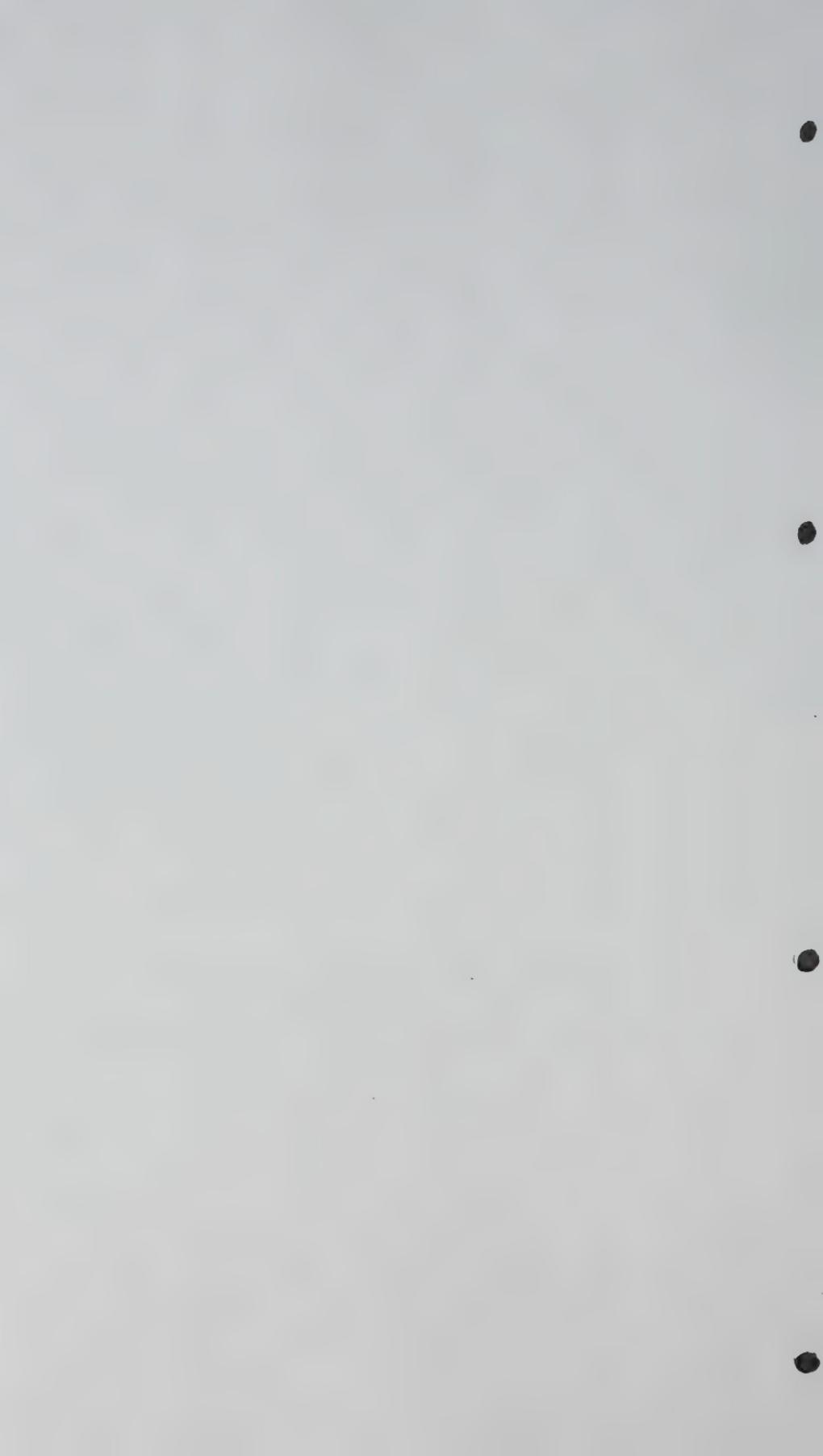
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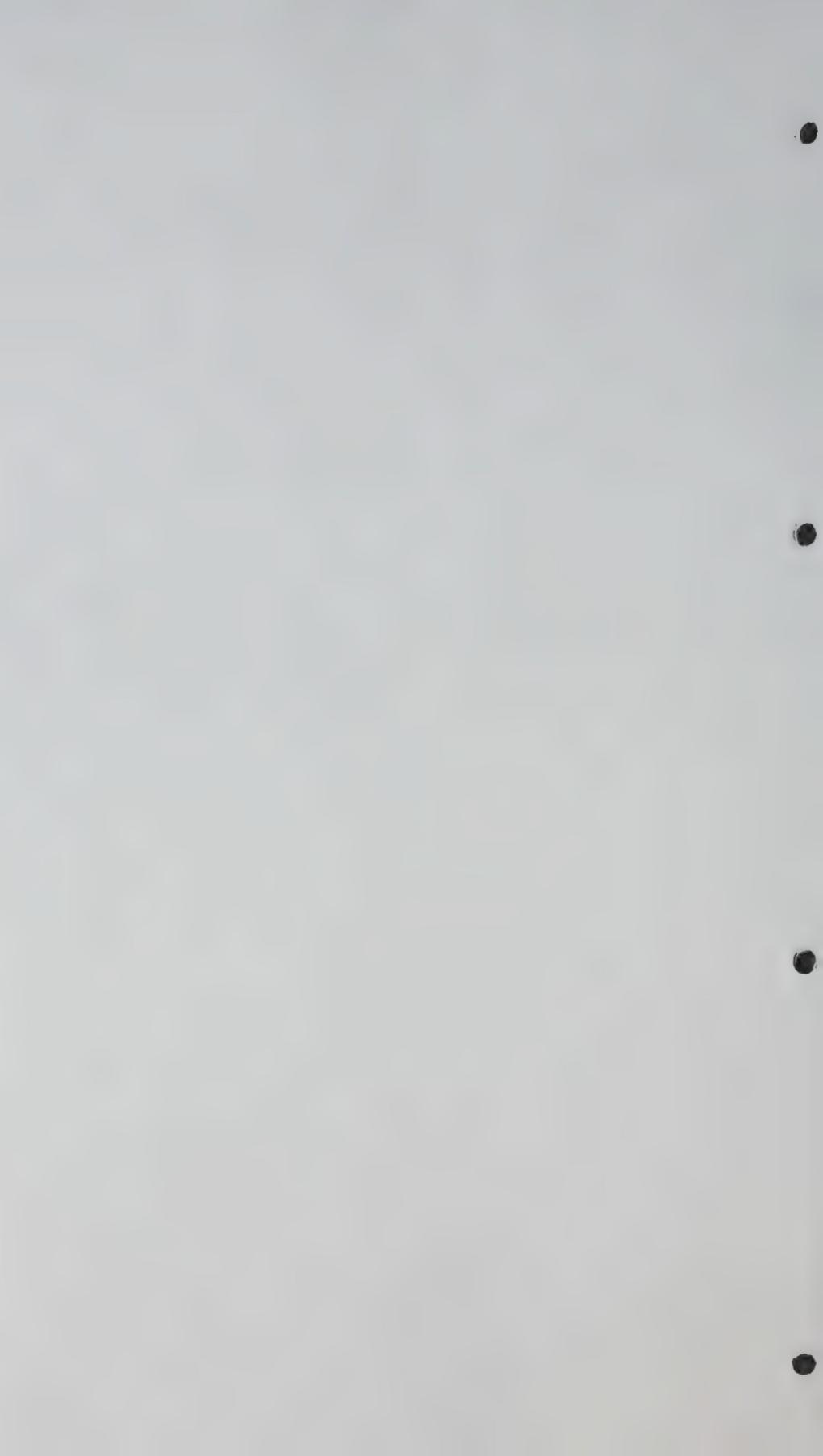
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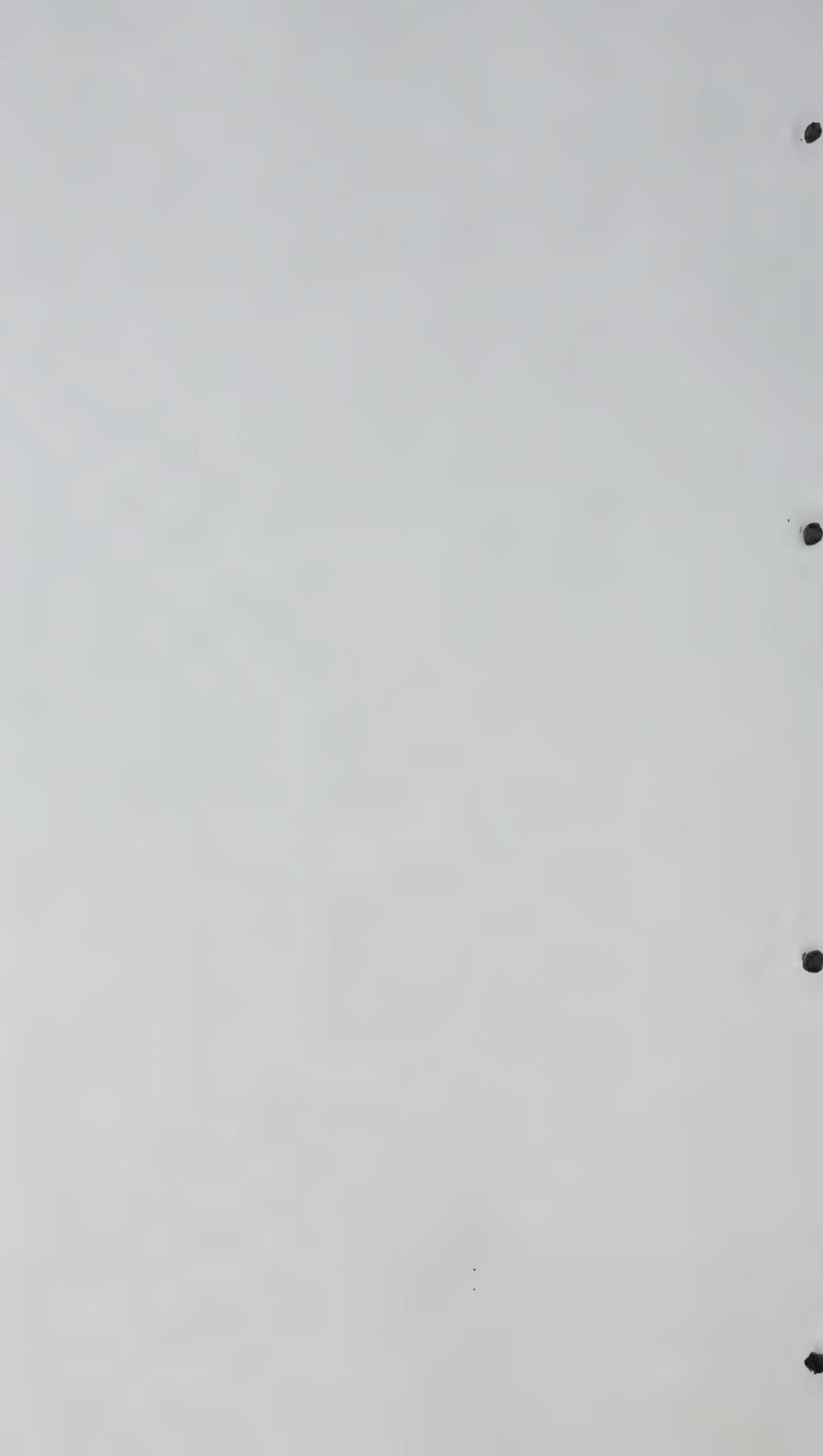
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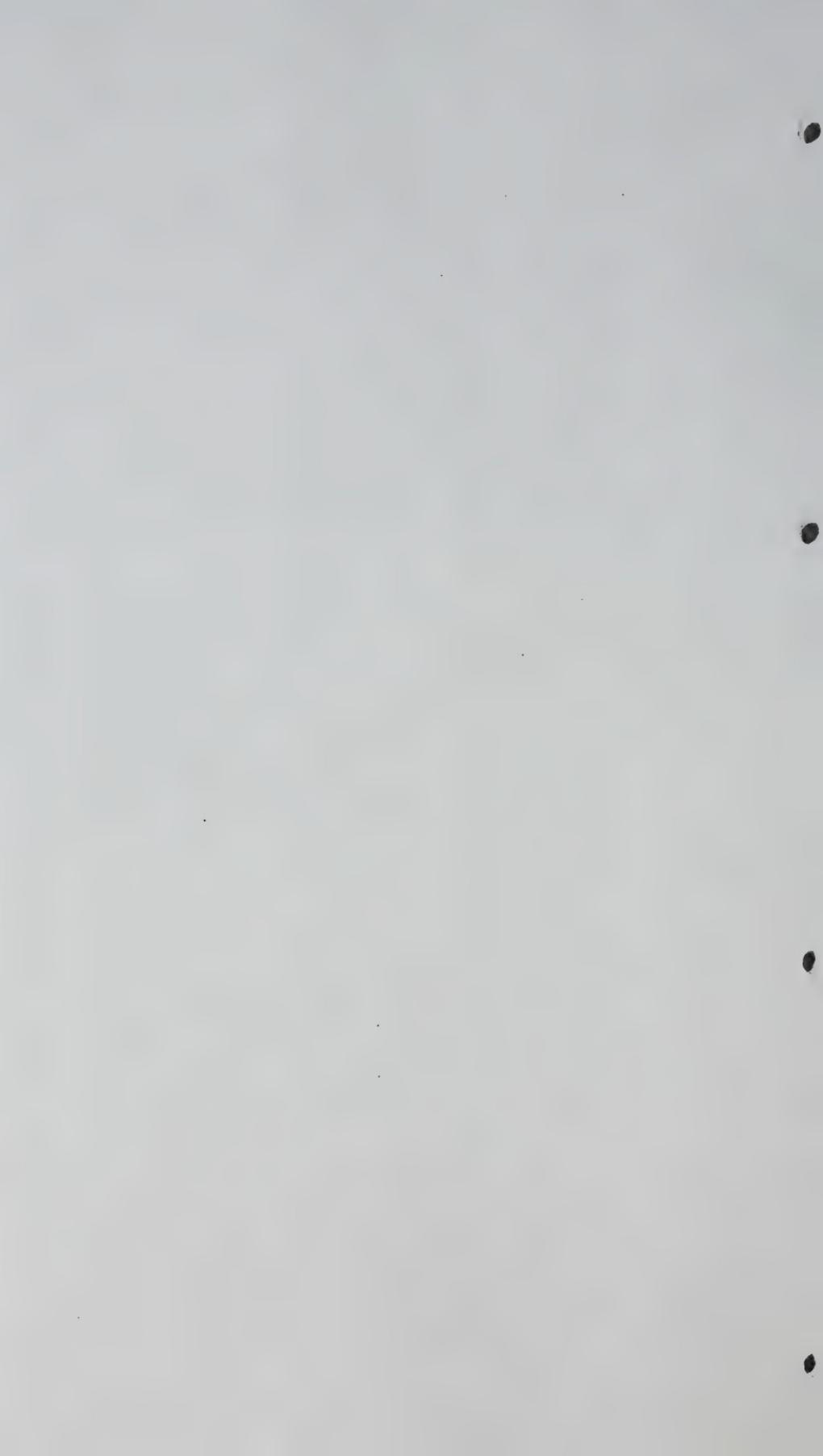
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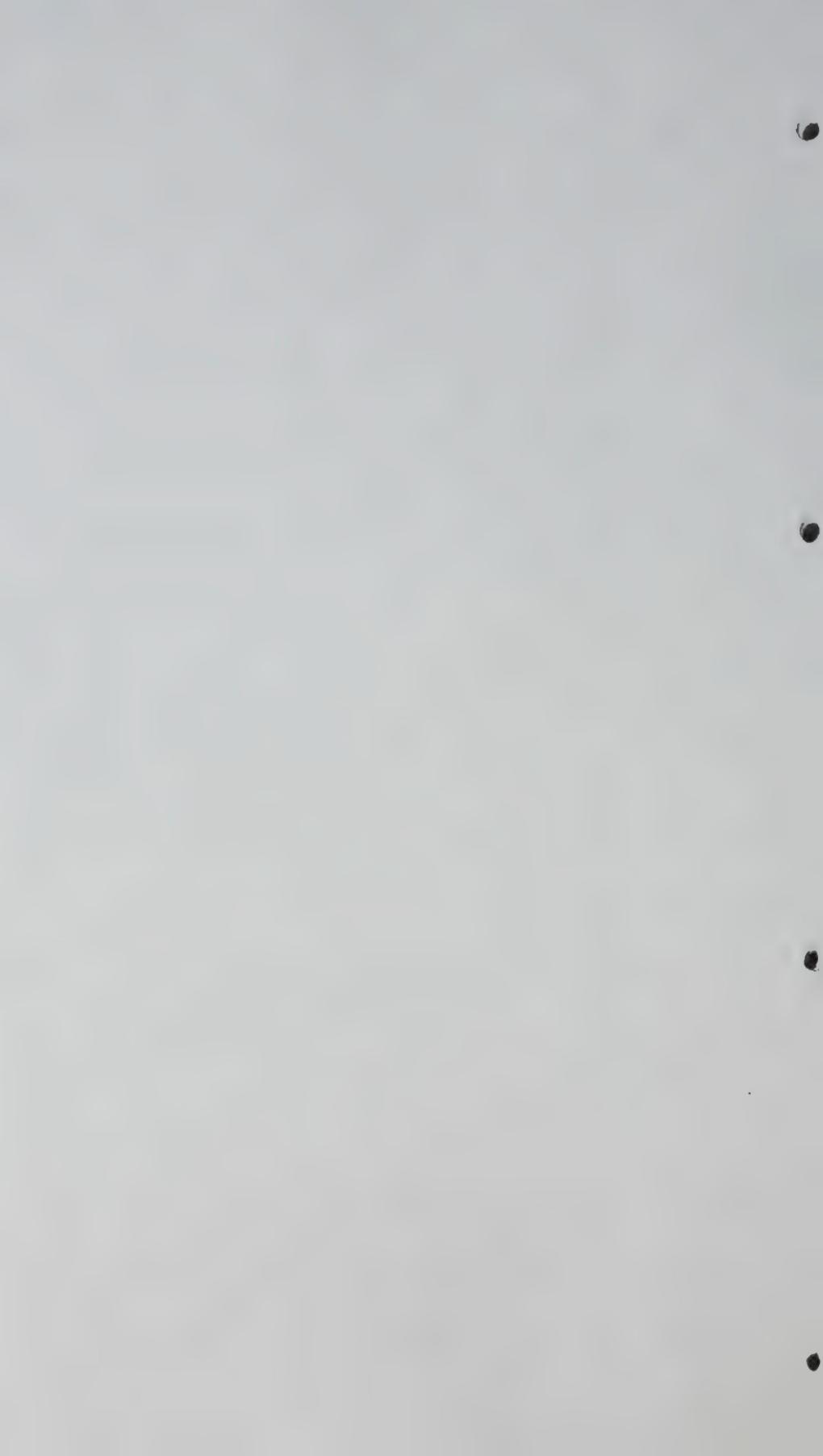
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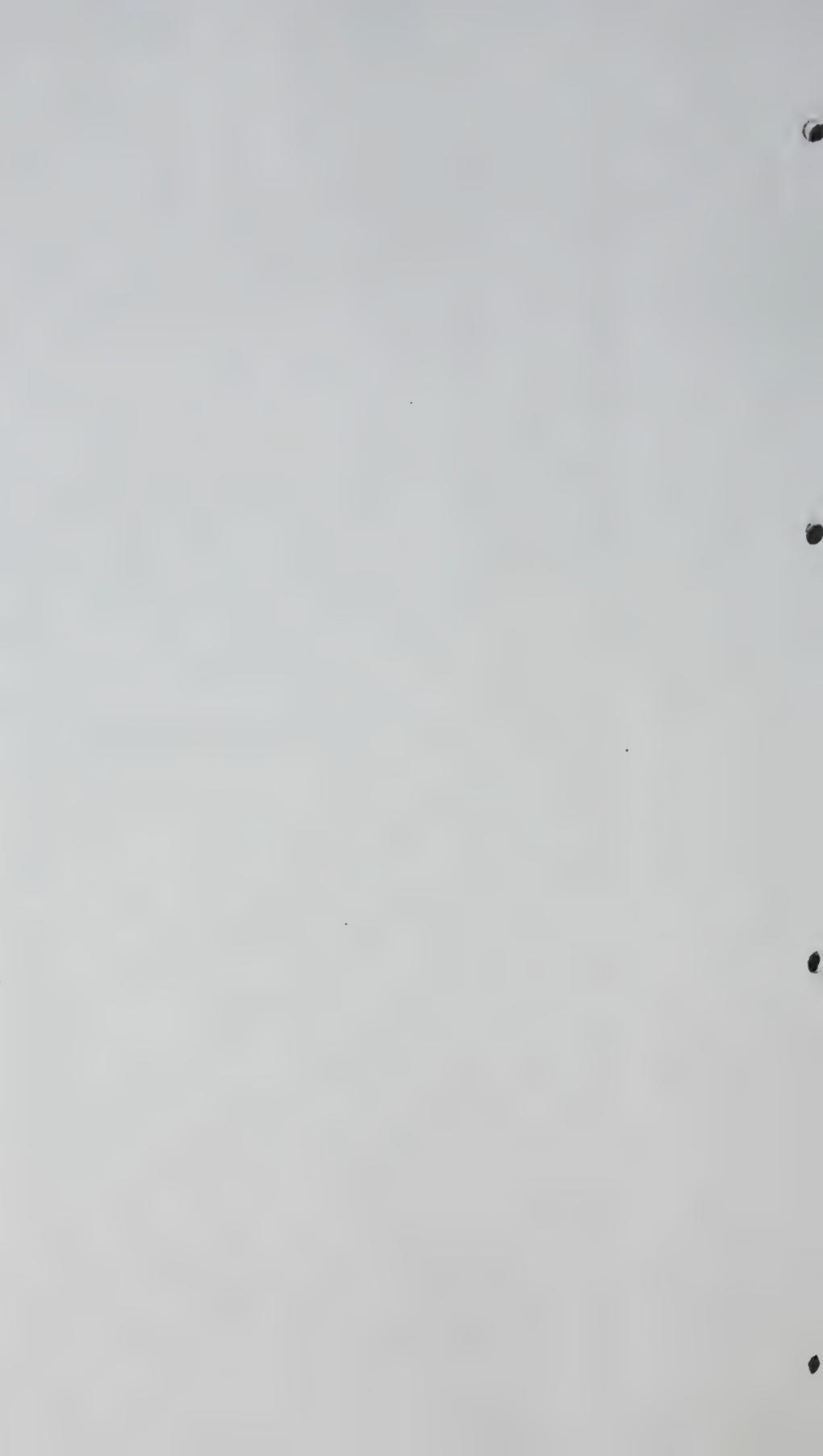


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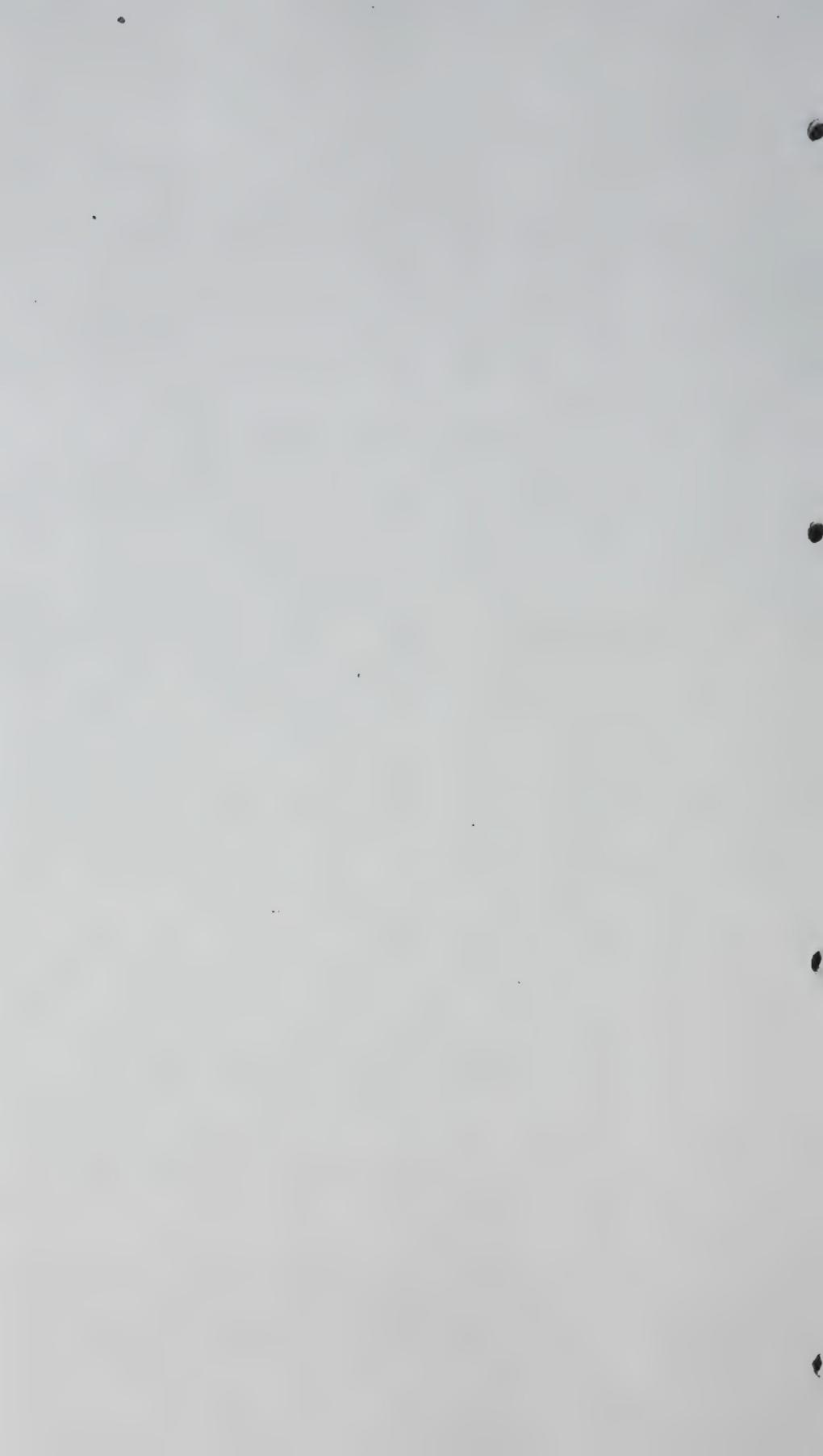


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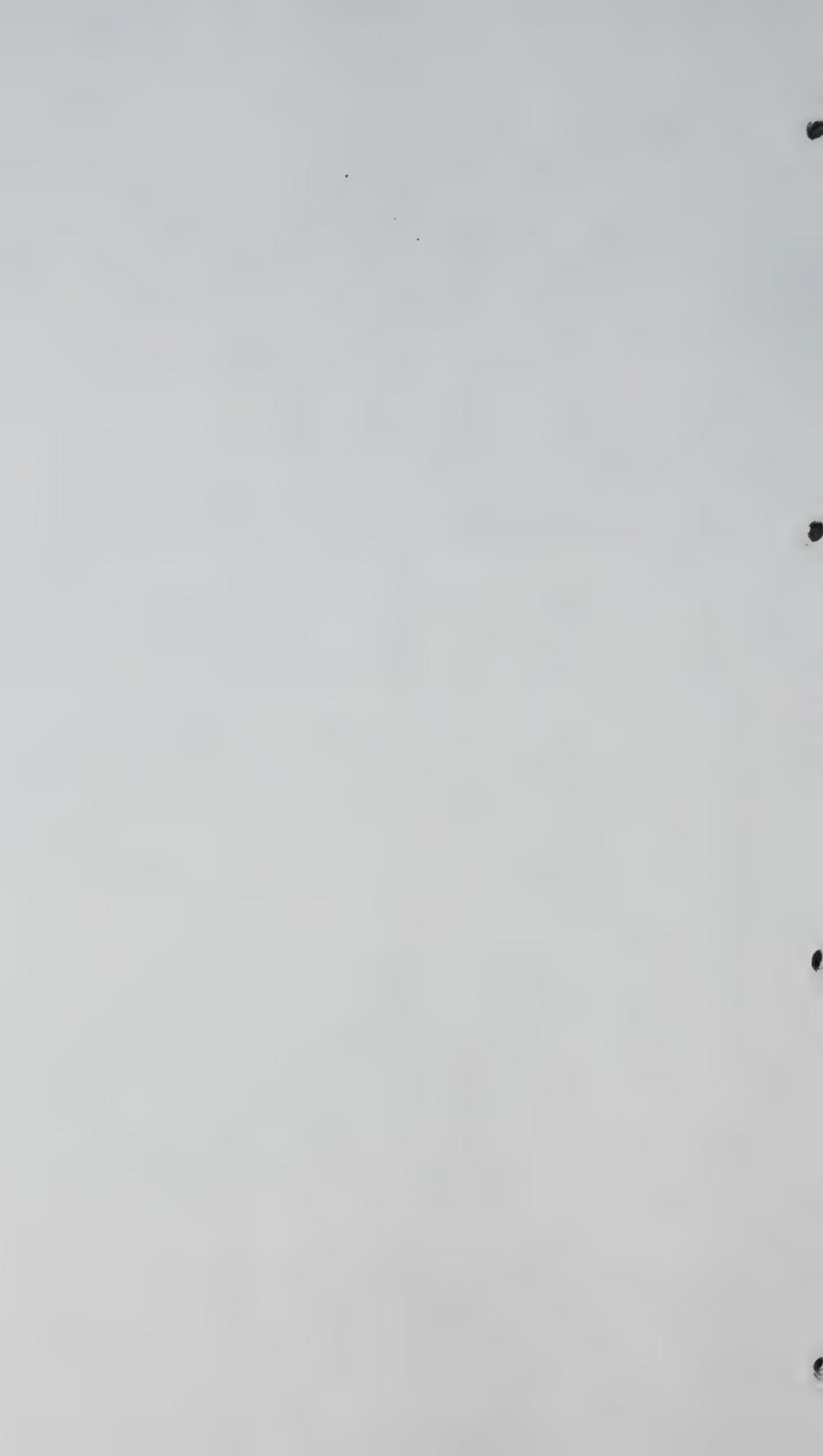
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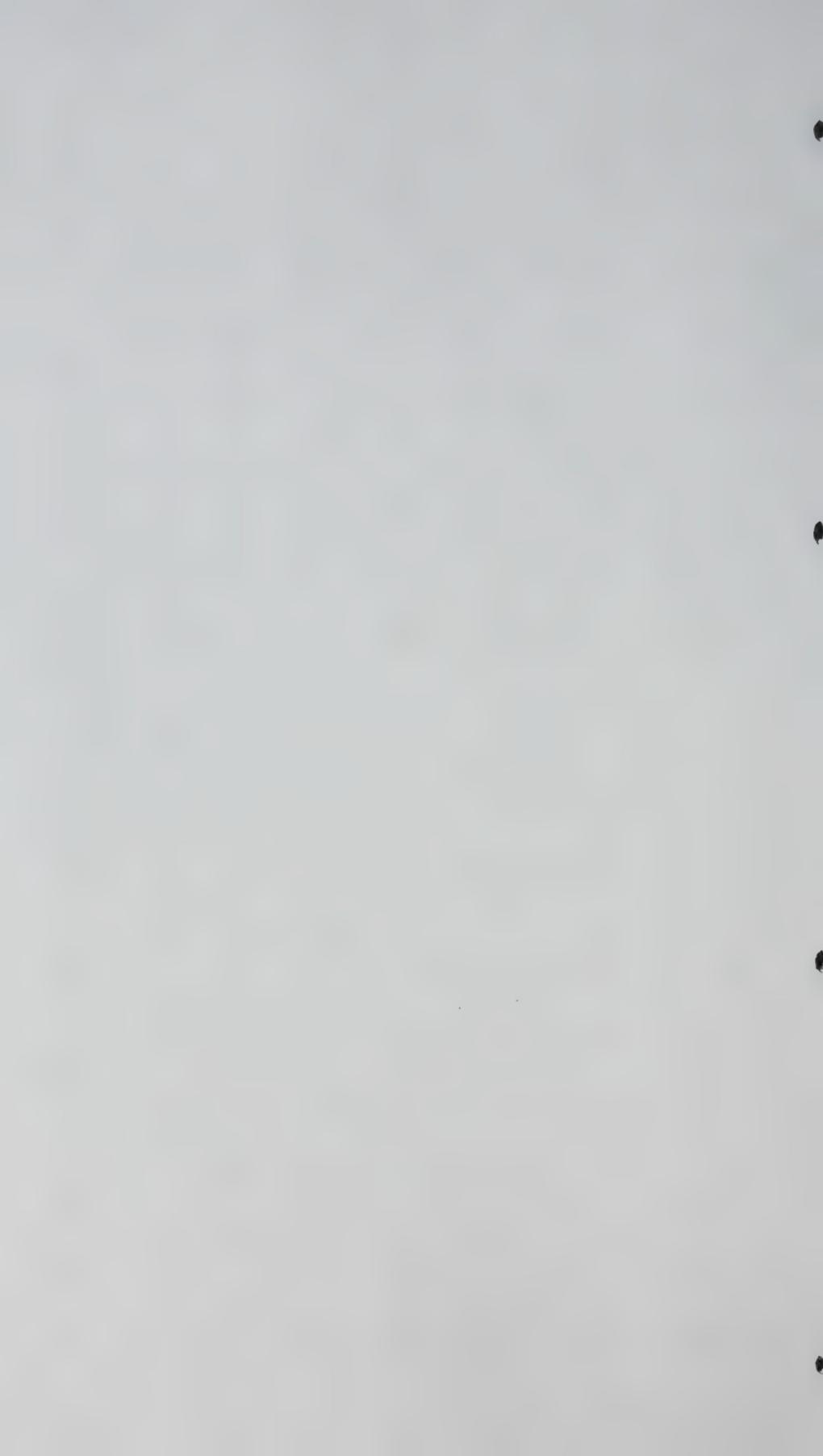
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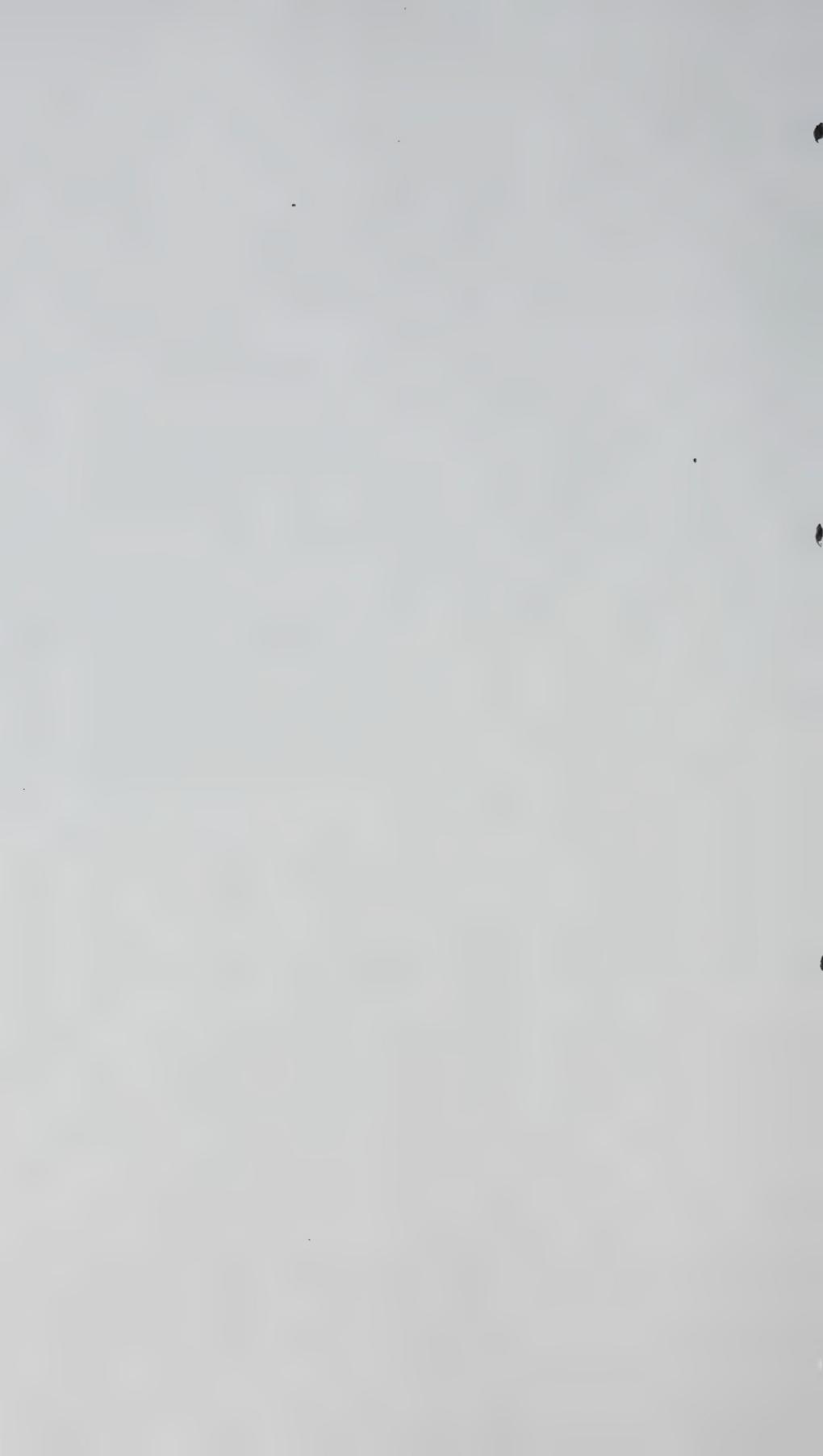
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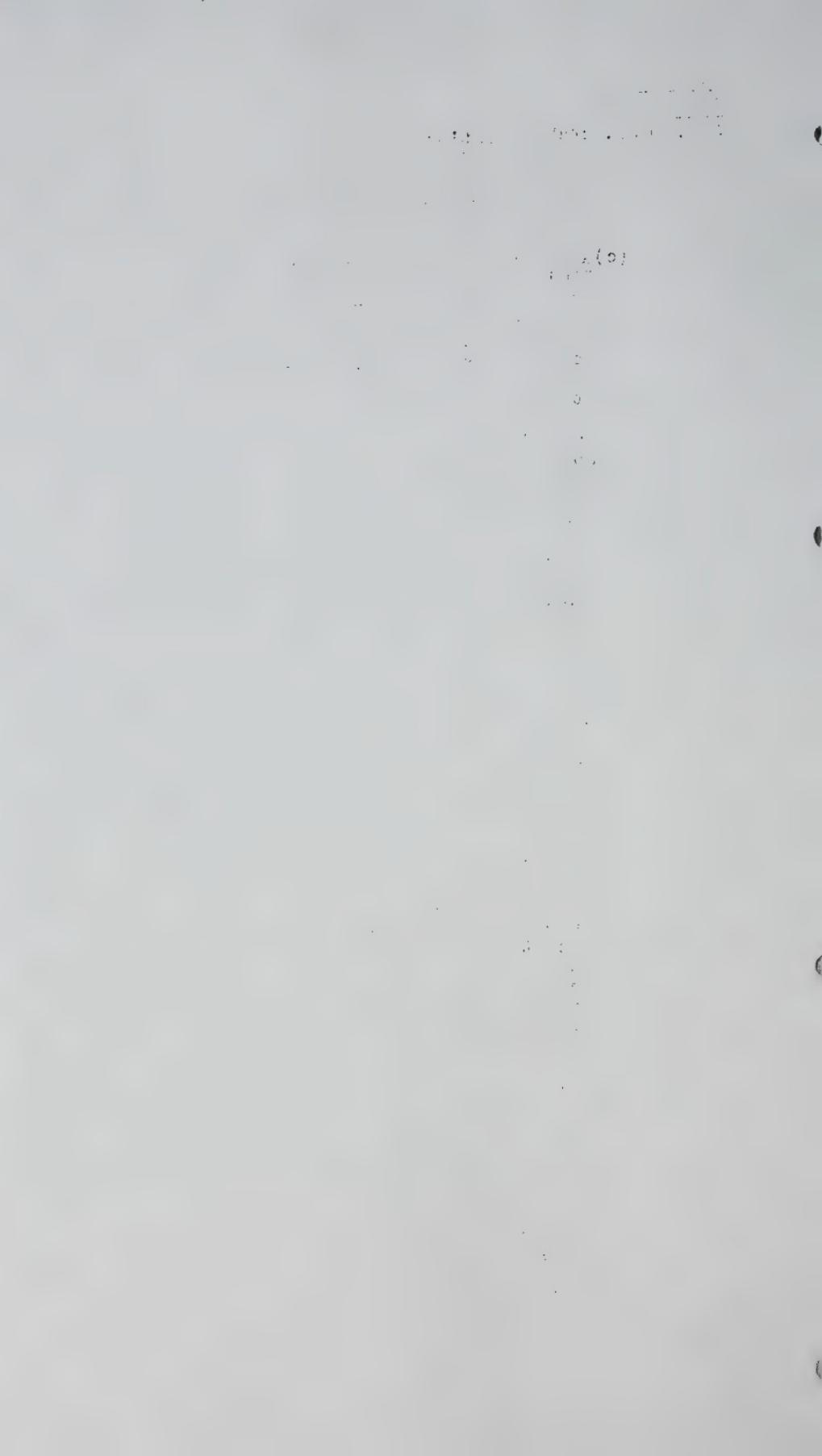
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ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Parliament Buildings, Halifax, on Monday, January 11, 1932.

PRESENT:

RIGHT HON. LORD ASHFIELD, Acting Chairman
BEAUDRY LEMAN, Esq.)
LEONOR FRESNEL LOREE, Esq.)
WALTER CHARLES MURRAY, Esq.) Commissioners
JOHN CLARENCE WEBSTER, Esq.)

Arthur Moxon, Esq., K.C., Secretary

Members of the Legislative Council

Hon. G. S. Harrington, Premier,
Hon. John Doull, Attorney General,
Hon. Percy C. Black, Minister of Highways,
Hon. J. F. Fraser, Provincial Secretary,
Hon. O. P. Goucher, Minister of Agriculture,
Hon. G. H. Murphy, Minister of Public Health,
Hon. Albert Parsons, Minister without Portfolio.

Parliament Buildings, Halifax,
Monday, January 11, 1932.

MORNING SESSION

The Commission met at 10.30 a.m.

HON. MR. HARRINGTON(Premier): Perhaps your Lordship will tell us what you have in mind that we should present to you.

LORD ASHFIELD: May I first of all, Mr. Premier, at their request convey to yourself and the Members of your Government the regret of our Chairman, Mr. Justice Duff, and of Sir Joseph Flavelle that they are unable to be here this morning. Our Chairman is confined to his room with a severe cold and on his doctor's orders has to remain there; the illness of Lady Flavelle makes it impossible for Sir Joseph to go very far from home.

So far as your question is concerned, of course you will be aware of the burden which has been put upon the shoulders of my colleagues and myself in dealing with this very important question on behalf of the Dominion. We are searching in all directions for information and, what perhaps is even more important, for advice. So we have nothing very definite in the way of a programme this morning; we will leave it to your better judgment, Mr. Premier, as to what you or the Members of your Government may wish to present to us.

HON. MR. HARRINGTON: Lord Ashfield and gentlemen, our ideas in regard to transportation as affecting this province up to about five years ago were put forward at that

time in a fairly comprehensive brief which we prepared for the Commission presided over by Sir Andrew Duncan and known as the Maritime Claims Commission. I have copies of that brief which perhaps the Commission would like to have.

LORD ASHFIELD: We would, thank you.

HON. MR. HARRINGTON: In that brief we dealt with the matter of freight rates as affecting this province. We pointed out that the general freight structure of the Dominion had grown up rather like Topsy; it was not entirely considered from the point of view of the province -- at least, certain horizontal raises in freight rates had taken place which did not give consideration to the various phases of transportation that must be considered if the provinces are to receive equal treatment. In addition to that we dealt with the question of transportation generally. The matter of freight rates will be found in that brief at pages 117 to 141; the question of transportation generally is dealt with at page 142; and of course Nova Scotia being essentially wrapped up in the coal and steel industry, that matter is presented at page 146, it having a very close alliance with the matter of transportation.

This is Sir Andrew Duncan's report. I will give you a copy of it. There are other copies available, Mr. Moxon, in case the members of the Commission would like to have them. Sir Andrew Duncan dealt with transportation and freight rates at pages 20 to 27 of his report. The Federal Parliament considered his recommendations and dealt with them, in part, in Chapter 44, 1926-1927, known as the Maritime Freight Rates Act. He also dealt with port development at pages 28 to 31, specifically with the Harbour Commission

proposal for Halifax at page 29. Then he dealt with the coal and steel industry, which is related to transportation, at pages 34 to 38.

These matters, my Lord and gentlemen, as set out there we consider to be probably outstanding as affecting this province. Throughout our theory has been that the basic idea of the Dominion of Canada was the formation of British provinces under the aegis of the Union Jack stretching from the Atlantic to the Pacific, self contained, having a trade-flow east and west across those provinces, with gateways on the Atlantic and the Pacific at both ends. We believe that the neglect of that theory, the diversion of trade from Canadian channels to ports of other countries, was a matter that in spirit at least violated the very theory of Confederation and would leave the Dominion in a position where it could never hope to obtain a national status.

We stress that point very strongly, believing that Nova Scotia should be the gateway of the Dominion of Canada in the east. And we believe, of course, that we have ample proof of the desirability, in fact the necessity, of that from looking back to the years 1914 to 1918. At that time Halifax was called upon to carry a vast amount of commerce, for which the port was not really well fitted, and we could very easily envision a case where it would have to carry the whole load. No portion of it could be available to us unless Halifax was available as one of the all-the-year round ports for Canada. That perhaps is our most important basic idea -- that any transportation system or systems of the Dominion should contemplate the use of Atlantic ports as their termini.

Now, the question of railroad transportation as affecting the province is peculiar in Nova Scotia inasmuch as, apart from Prince Edward Island, it is the only province in the Dominion that has not direct service by the Canadian Pacific Railway. A subsidiary of the Canadian Pacific does run through the province from Halifax down to Yarmouth; but the Canadian Pacific as such does not run in Nova Scotia. We have strongly urged the Canadian Pacific to use the Port of Halifax, feeling that it would be a very satisfactory turning point for their boats on the Atlantic, especially the very large ones, and that they would find the facilities here adequate. We think their rail connections also in the same way should join up with their Atlantic service. We feel it could be worked out as a matter of cooperation with the Canadian National. Naturally we are far from desirous of seeing anything injurious happen to the Canadian National Railways, but we feel such an arrangement could be worked out satisfactorily between the two companies, and that the increase of business to the port, far from being detrimental to the Canadian National would be beneficial. We have had that very strongly in mind, and this year the Canadian Pacific has made this a port of call. Its boats are calling, and a regular service to the Mother country will be carried on from Halifax. We should like to see that phase considered if possible.

As to the railway service in the province, we of course complain about parts of it -- I presume that is human nature. We think that a slightly better service might be given between Halifax and Sydney. There is a very large population down there, and a very large amount of business

is carried over their lines. Perhaps we have not been quite close enough to the Canadian National to urge these points from time to time. But we know the conditions today, we know there is a very great deal of difficulty to be met all round, and we feel that as soon as they can they will get at these things and improve the service. So generally from the point of view of passenger service there cannot be said to be very much complaint from the Province of Nova Scotia, although we do look forward hopefully to the time when they will make some minor improvements.

The general question of freight handling is rather closely mixed up locally with the matter of highway transportation, and upon that if you desire information I am sure Mr. Black, the Minister of Highways, will be glad to help you. We all realize the situation that has developed so far as local freight handling is concerned; we recognize that the motor traffic is cutting into it daily and making it more and more difficult for the railroads to compete. We also realize that the public at large maintain the highways and provide that facility for motor traffic that we do not provide for railway traffic. We have a certain amount of regulation of road traffic, and if you wish the Minister of Highways will address you on that phase of it.

I think that generally I have covered the situation as we see it. We will be only too delighted to supply you with any information that you may wish. But motor traffic essentially runs very closely into private enterprise, and I believe that at your public sitting the Board of Trade, representing private interests, will present a more or less detailed brief in regard to some of the matters that I have touched on and on some others that I have not dealt with.

I should like to leave with you our very firm conviction that we believe for the welfare of the Dominion as well as of this province that a system of transportation should be evolved that contemplates east and west traffic within the Dominion, with the national ports of Canada on the Pacific and the Atlantic as the outlets. That is our very firm view in this province.

It is very kind of you gentlemen to give us an opportunity to mention these matters, and we are delighted to meet you. I had a letter from Sir Joseph Flavelle this morning regretting his inability to come down here. We hope to see him at some future time. Meanwhile our facilities are at your disposal.

LORD ASHFIELD: Mr. Premier, we are grateful to you for your very cordial welcome and your keeness to aid the Commission in every way you can. We appreciate the obsevations you have made this morning and they will have our very careful consideration. Perhaps I might ask you one or two questions.

HON. MR. HARRINGTON: Certainly.

LORD ASHFIELD: I presume we shall hear from your Minister of Highways?

HON. MR. HARRINGTON: Whenever you wish; he is present.

LORD ASHFIELD: Before he presents the highway situation, I might ask you a few questions. You have dealt particularly with the wider use of Canadian ports, both on the Atlantic and the Pacific. This matter was brought to the attention of the Commission on another occasion. I observe that the Duncan report is dated 1926. I gather from what you have said that it has some relation to the question

you mentioned this morning.

HON. MR. HARRINGTON: Yes.

LORD ASHFIELD: We shall take an opportunity to go into it later on. In the interval that has elapsed since the date of the report has any further investigation been made by your government on that particular point? It is represented to the Commission that there are reasons for this substantial flow of traffic to United States ports, and these raise a real practical difficulty. I was wondering whether you had made any investigation and could give us any assistance on what is contained in the report.

HON. MR. HARRINGTON: The report deals largely with port development and trade export at page 28 -- "Canadian trade and Canadian ports." It goes on from that to the suggestion of a statutory harbour commission to control these ports, and that port development is interlocked with Maritime trade.

LORD ASHFIELD: So far as Halifax is concerned, that recommendation has been carried into effect.

HON. MR. HARRINGTON: That is what I was going to say: a harbour commission has been set up in Halifax. In various ways we have from time to time represented to the Board of Railway Commissioners the desirability of certain freight rate considerations so as to induce trade to flow to the port of Halifax. Your question was whether we had carried on further investigations since that time. I can say that we have from time to time presented certain specific phases of it to the Board of Railway Commissioners, sometimes with some success, sometimes without. It has been a live question up to the present time.

LORD ASHFIELD: It is suggested to the Commission

that one reason for this diversion lies in the fact that there are more diversified shipping facilities at American ports than exist -- shall we say? -- at Halifax or St. John, and that shippers are attracted by the greater freedom in respect of steamship services; and in the further fact that they get a better freight rate on passenger liners than on cargo boats. In other words, that this question of shipment lies more with the shipper than with the railway systems.

HON. MR. HARRINGTON: I trust that Colonel Phinney, Chairman of the Harbour Commission, will appear before you during your stay here because he has presented the matter publicly in the west regarding shipments of grain. There he found that shippers generally were unaware of the situation. Of course, if one accepts as a principle the suggestion that shippers find it better to send their goods through the port of New York on account of the varied commodities handled there, that will always be so until you start to build up something else. But the cheaper rates available by passenger ships can only apply to certain commodities, and there is not the slightest reason why a freight rate from Halifax to ports in the Old Country and in Europe cannot be equally as advantageous from Halifax as from New York. I know the contention has been made -- I have heard it from time to time -- such as you have suggested, Lord Ashfield. We feel that is one of the things that an effort must be made to overcome, otherwise we simply surrender our own nationhood; that is the alternative. It is equivalent to saying: Although we have ports equal to or better than any other ports, because those other ports are larger and older in commerce we are going to lie down and let them handle our business. We are of opinion that some artificial stimulus may be necessary to force trade through our ports

at the commencement, but having done that we are confident that the trade will continue there. We feel we should not take the challenge lying down.

COMMISSIONER LOREE: What is the metallic content of iron ore here?

HON. MR. HARRINGTON: Iron ore for use in the Sydney Steel plant is imported from Newfoundland. It is not Nova Scotia ore. The metallic content -- I am afraid I do not happen to remember that.

COMMISSIONER LOREE: I wondered how it compared with the ore of the upper lakes; that started at 65 per cent, now it is down to about 52.

HON. MR. HARRINGTON: I think possibly there may be a slight diminution in the metallic content of the ore at Belle Isle, where the steel company gets it, but I do not think it ever ran much above 55.

DR. WEBSTER: Hematite?

HON. MR. HARRINGTON: Yes.

COMMISSIONER LEMAN: I think your lake ore is largely magnetite.

COMMISSIONER LOREE: No, hematite.

COMMISSIONER LEMAN: There is a large proportion of magnetite in the lake ores.

COMMISSIONER LOREE: The New York ore is all magnetite; that of the upper lakes is all hematite.

COMMISSIONER WEBSTER: You spoke of the possibility, Mr. Premier, of introducing certain artificial aids to stimulate and increase the flow of western products, particularly grain, down to these ports. Perhaps you would give us your ideas as to how you would meet this other competition; that is a very substantial thing.

HON. MR. HARRINGTON: That matter has been very fully presented in other quarters, and I feel it will be presented to you by the Board of Trade or by Colonel Phinney before you leave. Essentially it is a matter of rates. The National Transcontinental also enters into it. That railroad was built by the Dominion, at a cost of considerably over \$300,000,000, principally for the purpose of transporting Canadian wheat from the west to the east for trans-shipment through Canadian ports. It has never functioned in that way. We have felt that if a satisfactory grain rate could be worked out on the National Transcontinental it would go a long way to solve the question, because the passenger vessels coming to the port of Halifax could get satisfactory wheat cargoes if shippers were induced by a satisfactory rail rate to ship here.

COMMISSIONER WEBSTER: Is there an increase of vessels from American ports -- New York, for instance -- to Europe touching here in the last two, three or four years?

HON. MR. HARRINGTON: Probably there is.

COMMISSIONER WEBSTER: Would they take the so-called parcels of wheat in their bottoms -- which is the great thing that happens in New York -- to all parts of Europe?

HON. MR. HARRINGTON: I would say that wheat has not been the attraction that has brought them here.

COMMISSIONER WEBSTER: It is passengers mostly, is it not?

HON. MR. HARRINGTON: Yes.

COMMISSIONER WEBSTER: It might be well worth considering whether the parcel business in wheat could not be encouraged through those vessels touching here.

HON. MR. HARRINGTON: Undoubtedly.

COMMISSIONER WEBSTER: I am under the impression that there is a tendency for an increasing number of vessels, quite apart from the C.P.R. boats, going to Europe and possibly coming back to American ports to make this a port of call.

HON. MR. HARRINGTON: Yes. I think a very large step towards increasing the traffic here would be a satisfactory grain rate from the west. But we go a little further. We say from the point of view of the Dominion it is shortsighted to neglect a national port when you may wake up some day to find that your foreign ports are not available to you, no matter how well intentioned everybody is, and you are without your facilities; while here they are just asking to be used and developed.

COMMISSIONER WEBSTER: You say then: We are no further advanced than we were before Confederation, when that was the main reason which led the upper provinces to try to get contact here; they felt they might be shut off from the bonding privilege through the United States.

HON. MR. HARRINGTON: I would say that is very nearly so. Of course, actually we must be further ahead, but proportionately we are not. I think you are correct in saying that was one of the underlying assumptions in the Confederation agreement. We had Cartier and Sir John A. Macdonald and the others talking about a ferry between Halifax and Liverpool to serve the Dominion; and the Inter-colonial railway was to be built as a link with that, which it was. We should like to impress on you very strongly that aspect of the question.

COMMISSIONER LORKEE: How do you regard the port of Churchill?

HON. MR. HARRINGTON: It is so far removed from Nova Scotia that we have been content to sit back and see how it develops. We find a very great deal of difficulty in attempting to harmonize the conflicting views about it. If it is going to be a good thing we are quite satisfied to see it go ahead.

LORD ASHFIELD: There is no feeling of jealousy?

HON. MR. HARRINGTON: None whatever, Lord Ashfield.

COMMISSIONER MURRAY: Do you think there is any possibility of its assisting coal shipments to the prairies?

HON. MR. HARRINGTON: It may be, but coal will not go out there without a return cargo, and that presupposes a grain cargo back. There are a great many technical difficulties entering into it, as the different classes of boats that carry grain and carry coal, long hauls and short hauls, and so on; but if that could be arranged so that boats could carry coal from Sydney to Churchill and return with full cargoes of grain, obviously some day it would make a very satisfactory arrangement. But we in Nova Scotia have never formed any very definite view about the port of Churchill, preferring to wait and see how it develops.

COMMISSIONER LEMAN: A return cargo of coal would take the place of Alberta coal, which is seeking a market in Central Canada.

HON. MR. HARRINGTON: Yes, Alberta is having our trouble in getting markets. We have been cooperating with Alberta for some years to secure coal markets within the Dominion.

- 1019 - Hon. Mr. Harrington
Hon. Mr. Black

COMMISSIONER LEMAN: They also request low freight rates in order to be able to market their coal.

HON. MR. HARRINGTON: Yes, a subvention was granted last session by the Federal Parliament to assist eastern coal and Alberta coal.

Is there any particular phase of the competition between rail and motor transportation that you would like Mr. Black to deal with, Mr. Chairman?

LORD ASHFIELD: No, I think what you had to say gives the proper opening for the Minister of Highways.

HON. PERCY C. BLACK(Minister of Highways): Lord Ashfield and members of the Commission, the tendency in this province is similar to that of the other provinces and the States as regards the annual increase in the use of our highways by trucks hauling freight, especially for the shorter distances. Perhaps we have not advanced as rapidly as they have in some other places, but there has been a yearly increase in that class of traffic. It has been due largely to the greater convenience of highway transportation and also to what has been looked upon as excessive charges by the railways for the shorter haul of package freight. We have a number of motor carrier zones in this province, but we have not encouraged them during the last few years. We have only a few centres of population where motor trucks could take advantage of the zone to carry regular traffic loads. We have six motor carriers operating in the province. Under our Motor Carriers Act as revised recently application is made to the Board of Public Utilities, and after a hearing, if a certificate of convenience and necessity is granted, the rates are established, the service that must be provided

is also set out, and the amount of insurance to be carried is stipulated. Before a certificate can be made effective it must be approved by the Department of Highways.

There have been so many motor trucks in service in this province carrying products from the individual farmer and his neighbor and motor trucks in the towns and cities carrying on regular business, that is, not advertised business, that we have hesitated to encourage the establishment of these zones, and, generally speaking, in the province the motor truck business has been operated **very** much as has the passenger car business outside of these six zones. There is only one zone we have established that is being operated without competition from the individual operator; that is the zone from Halifax to Bedford. We have a passenger service there. It is very difficult for this province to establish a freight carrier zone and have it operate so as to give satisfaction to the shipper and to the motor carrier, and not create too much dissatisfaction on the part of the individual truck owner. Last year we materially increased the fees payable by commercial cars; that is on a graduated scale now up to \$2.50 for each hundred pounds or fraction thereof of the weight of the chassis and body of the motor truck empty.

LORD ASHFIELD: Are you proposing to submit a statement showing the charges and regulations? It will be very useful for us to have it.

HON. MR. BLACK: I shall be pleased to submit such a statement. The old schedule in this province was \$1.35 per hundred pounds on the chassis only; that was reduced 10 per cent when we reduced the rate payable by passenger vehicles. Now the rates are as follows:

For a Commercial Permit, for each one hundred pounds or fraction thereof weight of the vehicle, a fee at the relevant under-mentioned rate, with a minimum fee of \$17.00

Up to 3000 pounds	...	\$.90
3000 to 4000 pounds	...	1.00
4000 to 5000 pounds	...	1.25
5000 to 6000 pounds	...	1.50
6000 to 7000 pounds	...	2.00
7000 pounds and over	...	2.50

Trucks are not segregated into rate groups, and it would take some time to get the information, but the 1930 figures should be fairly representative, always bearing in mind that there is an inclination to use lighter trucks now.

These are the 1930 figures:

Rate	Weight	Number	Percentage of total
\$.90	Up to 3000 lbs.	3162	49%
1.00	3000 to 4000 lbs.	1783	27.63%
1.25	4000 to 5000 lbs.	965	14.95%
1.50	5000 to 6000 lbs.	273	4.23%
2.00	6000 to 7000 lbs.	147	2.27%
2.50	7000 to 8000 lbs.	123	1.9%

The maximum weight of chassis and load permitted in this province is 12,000 pounds; if that maximum is exceeded we endeavour to check it up. Of course, the tendency in the last few years has been very materially to increase the speed of motor trucks; some travel almost the same speed as passenger cars. Our Motor Vehicles Act provides for a maximum speed of 25 miles an hour for motor trucks, and 35 miles

an hour for passenger cars, in each case anything in excess being considered an unreasonable speed.

COMMISSIONER LOREE: Must the vehicle be under mechanical control -- equipped with a governor?

HON. MR. BLACK: No.

COMMISSIONER LOREE: Are any of your motor bus lines on a dividend paying basis?

HON. MR. BLACK: I have not definite information. I think the one from Halifax to Bedford would be reasonably profitable, but perhaps not any more so than it is entitled to be. In fact they have all complained to our department that their services have not been profitable. On the other hand, they have increased their facilities and are very anxious to continue their privileges.

COMMISSIONER LOREE: The Commission is concerned with the future of the industry. So far we have not found that these lines are profitable; in fact we have been told that they would not be profitable if they made proper charges for depreciation of equipment and so on. Whether the industry could not be expected to maintain itself and if left alone would disappear in a few years, is one of the things we are considering. I thought perhaps you would have some suggestions to make to us in this regard.

HON. MR. BLAKC: No. My observation is that if the persons who are operating the present services discontinued them, there would be others who would be prepared to continue those services.

COMMISSIONER LOREE: Experience having proved it was unprofitable, I should think they would tend to disappear in time. I have in mind the inter-urban trolleys in the States;



they have practically all disappeared.

HON. MR. BLACK: The individual operator of a motor commercial car does not figure his depreciation in the same way as a large concern must. My observation is that there will always be someone prepared to carry on the service, irrespective of whether he gets the profits he should be entitled to, putting them on a fair basis.



COMMISSIONER LOREE: I think we must all recognize that it is an attractive business and very tempting to a man with limited capital, but after all, experience is a costly teacher. We have been wondering whether we can look forward to a continuance of this service.

HON. MR. HARRINGTON: The business is not quite old enough in Nova Scotia to enable us to reach any definite decision on that point, Mr. Loree. The fact is, as Mr. Black says, that up to the present there has been great competition for the franchises.

COMMISSIONER WEBSTER: What do you charge the motor truck now, apart from the license fee?

HON. MR. BLACK: The motor carriers we charge \$10 as a special license per year per vehicle, and we also collect 2 per cent of the gross revenue.

COMMISSIONER WEBSTER: How do you get the gross revenue?

HON. MR. BLACK: We have to accept the statements of the motor carriers.

COMMISSIONER WEBSTER: You take the sworn return?

HON. MR. BLACK: Yes, subject to audit.

COMMISSIONER WEBSTER: How do you work it out, say on the largest size motor truck?

HON. MR. BLACK: I could not give you that. Several vehicles are used in the service between Halifax and Bedford, a distance of about eight or ten miles, which is the main motor carrier zone and is subject to the heaviest traffic. But our department does not get individual returns from each vehicle.

COMMISSIONER WEBSTER: Can you estimate that? A very interesting statement was presented to us in the west

setting forth the charges made in respect of motor trucks in various states of the union. In some instances the charge imposed by the state for a single truck was more than \$2,000, and there were others in lesser amounts.

LORD ASHFIELD: In connection with the point raised by Doctor Webster it might be interesting if Mr. Black could tell us on what basis the charges for licenses are made. Has it any relation to the maintenance of the roads, having regard to the effect of the vehicles upon them? Are the regulations the result of discussion and cooperation with the other provinces?

HON. MR. HARRINGTON: Generally speaking the charge is in conformity with that imposed by the other provinces, so far as that is possible. There may be some variation, but I think we are fairly well in line with both New Brunswick and Quebec in that respect.

COMMISSIONER WEBSTER: What would that amount to in the case of the largest truck?

HON. MR. HARRINGTON: It is \$2.50 a hundredweight when it gets over 7,000 pounds.

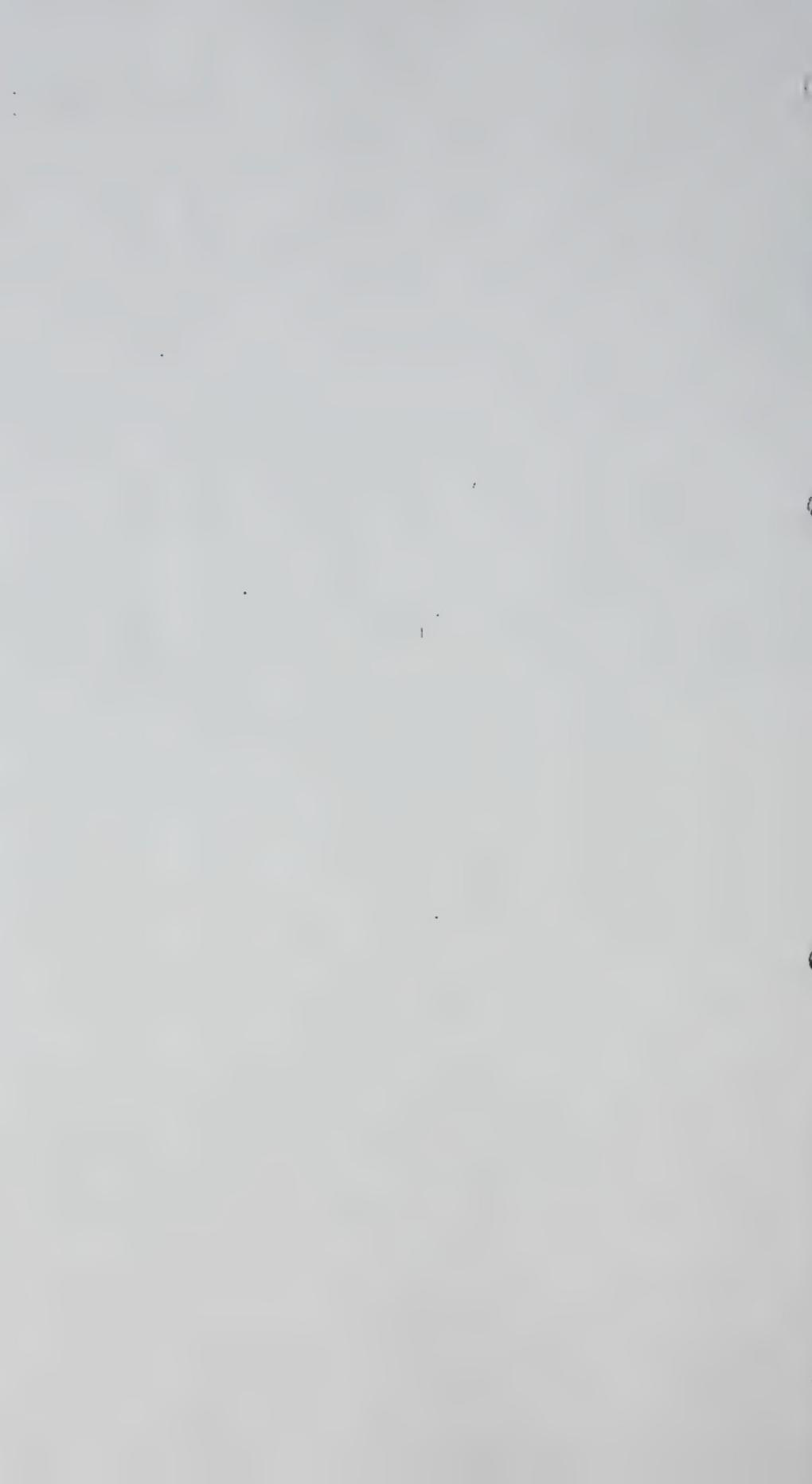
HON. MR. BLACK: The maximum would be \$175.

HON. MR. HARRINGTON: A fairly heavy tax.

COMMISSIONER LOREE: Does that apply to common carriers only, or contract carriers, or individual carriers?

HON. MR. BLACK: That applies to all trucks, and there would be an additional fee payable by the motor carriers in respect of motor carrier zones -- \$10 per vehicle, plus 2 per cent of the gross receipts.

COMMISSIONER LOREE: I think it is recognized that in the United States generally the common carrier truck does not constitute over six per cent of the total number;



there are about as many contract trucks, and about 88 per cent would be private trucks. So that it is very difficult to handle from the common carrier point of view.

HON. MR. HARRINGTON: The revenue received by the department from this special tax may indicate the trend.

HON. MR. BLACK: For the six motor carrier zones in the province, the receipts of the department from the charge of 2 per cent of the gross revenues amounted in 1928 to \$1,977.65; 1929, \$2,266.63; 1930, \$1,956.55, and 1931, \$1,900.

COMMISSIONER WEBSTER: Is that all you get from all the operations?

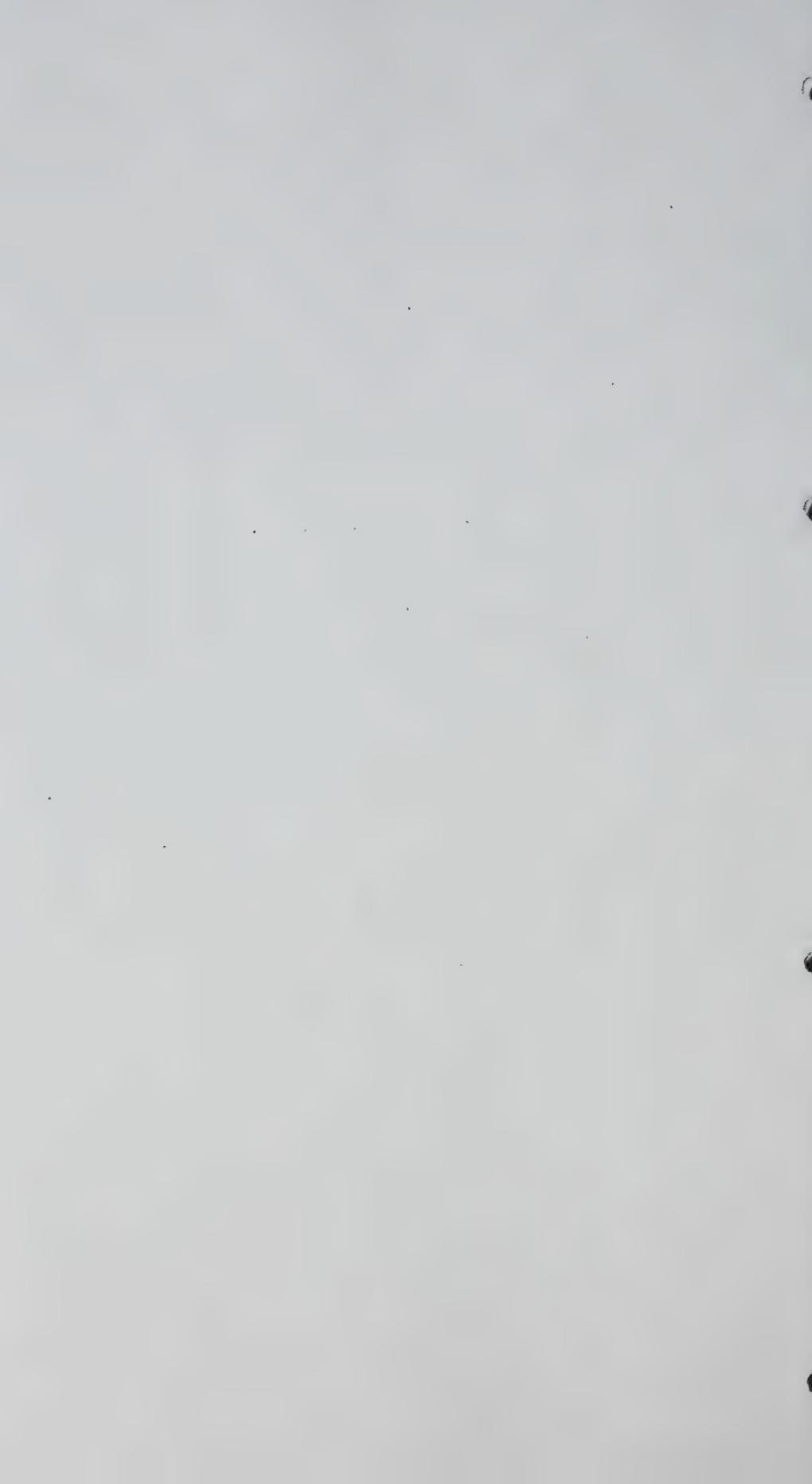
HON. MR. HARRINGTON: That is the tax on their gross receipts.

COMMISSIONER LOREE: On \$100,000 worth of revenue.

COMMISSIONER WEBSTER: May I ask you, Mr. Black, a practical question? My observation of motor truck operations between Moncton and Shédiac is that in the spring and fall when the rains are heavy, the running of motor trucks over our gravel roads result in very severe damage to them. Is that your experience?

HON. MR. BLACK: Yes. Up to the last two years we closed our roads entirely to motor traffic of all kinds from about the middle of March -- the act said the first of March until the middle of May. During the last two years we have allowed the cars to operate; we find there will be bad spots developed in the road here and there and the travel is automatically stopped.

COMMISSIONER WEBSTER: Last summer we had three or four days' continuous rain and the ruts in the road



caused by heavy motor traffic resulted in a very serious condition -- all due to motor trucks. I think the feeling is pretty general that they ought to pay more than they are paying to the provinces.

HON. MR. BLACK: It has been our experience that the heavy trucks have done far more damage to our highways than the other traffic.

LORD ASHFIELD: Could you tell us what income the province receives from all licenses -- private cars, trucks, and coaches?

HON. MR. BLACK: The revenue in 1931 from motor vehicle registration was \$1,189,424. The gasoline revenue was \$873,000. The tax on gasoline used by motor vehicles is at the rate of 5 cents per gallon.

COMMISSIONER LORNE: The feeling has been growing in my mind that the whole matter is one of police regulation and the use of the highway. We are killing one hundred people a day in the United States on the highways. These cars run at an excessive speed; they are very bulky, and much damage is done to the highways by their use. In the United States we are coming to believe that we will have to use mechanical regulators to control speed, and enforce very rigid rules with regard to weight, and so on. It is really a police question rather than a transportation question.

HON. MR. HARRINGTON: I think that is the general impression here, although I would not say it was exclusively a police question, because competition certainly does enter into the matter as between motor transport and the railways. But we have the same thing occurring; trucks are growing

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larger -- in some cases they are virtually houses on wheels; and they are a potential cause of accidents, there is no question about that. I think his lordship had in mind the question whether there was any scientific basis for these taxes. Perhaps the nearest we can get to it is to say that it is a matter of weight -- the weight of the vehicle proceeding on the highway. Theoretically, the greater the weight the greater the destruction, plus the speed, of course. There is no question that it is not scientific -- we have these new speed waggons that carry from three to five tons of freight, travelling at from thirty-five to forty-five miles an hour along the highway, and our bridges are beginning to go, as a start, requiring almost complete reconstruction of the bridges throughout the province.

LORD ASHFIELD: I had particularly in mind the question whether these road vehicles are taxed with a view to penalizing them where they are in competition with the railways; whether in part at least the purpose of the tax is to restrict their activities so that they do not unduly trespass upon the service which the railway company itself should give.

HON. MR. HARRINGTON: There is no element of that in Nova Scotia, with the possible exception of the power exercised by the Public Utilities Board.

LORD ASHFIELD: A certificate of public necessity?

HON. MR. HARRINGTON: That is all.

HON. MR. BLACK: I think to some extent the increased fees on the heavier trucks has reduced the number of heavy trucks purchased during the last year as compared with previous years.



HON. MR. HARRINGTON: Doubtless it would; if we raised the fees higher it would have the effect of further restriction. I think what his lordship wanted to know, however, was whether the fees were established with any regard to the matter of competition. Really they are not; the fees are the same where the competition exists or where it does not exist.

COMMISSIONER LOREE: Are these vehicles required to carry insurance for the protection of passengers from accident?

HON. MR. HARRINGTON: Only the ones that are licensed under the Public Utilities Act.

LORD ASHFIELD: Then there was the other question, as to whether the regulations are the result of consultation or agreement with the other provinces.

HON. MR. BLACK: We have studied the schedules in the other provinces, and adopted ours after studying and considering theirs. Our fees were revised last year.

LORD ASHFIELD: I think it has been suggested that some advantage might result if these regulations were codified or standardized so as to secure uniformity throughout the provinces. Would that suggestion have the support of your Government?

HON. MR. HARRINGTON: We would certainly be prepared to sit in and consider the matter with the other provinces. We would be only too glad to do that.

LORD ASHFIELD: I understand the statistics show that one in every eight persons in the Dominion owns a private car. Would that figure apply to this province?

HON. MR. BLACK: No, we are not up to the Canadian average. In 1936 I believe we had only one in twelve.



LORD ASHFIELD: At any rate you are much better off than the Mother Country where they have one in forty.

HON. MR. HARRINGTON: Better off, or worse off?

LORD ASHFIELD: Of course I am not denying the advantages of the motor car.

COMMISSIONER LEMAN: Do you make any classification of the sources of your gasoline tax, whether from pleasure cars or otherwise, or is it just a bulk sum?

HON. MR. HARRINGTON: No; the returns to the provincial treasurer are made direct from the producers of gasoline, or the wholesalers.

COMMISSIONER WEBSTER: Is gasoline for use by fishermen free of tax?

HON. MR. HARRINGTON: Yes.

COMMISSIONER WEBSTER: How do you prevent them from selling to local people out of the tanks they buy?

HON. MR. HARRINGTON: Only by making it an offence if they are caught.

COMMISSIONER WEBSTER: I understand that up on the north shore there is a great deal of that done.

HON. MR. HARRINGTON: Of course that is one great difficulty with the high tax -- the higher the tax, the greater the tendency to illegal traffic or bootlegging. But to tell the truth, I do not think we have very much of that.

HON. MR. BLACK: We have our own officers; and we have the wholesale vendors of gasoline on our side, because any gasoline that is sold without the payment of tax comes in competition with their regular business. So that they give us all the assistance they can, and they fairly quickly

detect any underselling of gasoline. I think up to the present we have been fairly free from anything of that kind, except possibly in some of the fishing villages.

COMMISSIONER WEBSTER: We have had presented to us a picture of the Canadian National railway as it exists in the Atlantic division. The story of branch lines is a pretty serious one, and I wonder if it would be fair to ask for an expression of your opinion as to the possibility of relieving the situation in future by a discontinuance of some of these lines in Nova Scotia, or a permanent reduction in services. We are informed that from the standpoint of economics they are in a hopeless position. While we were out west I remember Mr. Loree asking whether it might be possible to satisfy the demands of the people by highway traffic, thus enabling the railways to withdraw or reduce services. It is such a serious problem from the national standpoint that I think it ought to be very carefully considered. We know of course the political complexity of the matter. As regards Nova Scotia you are in a position to give a frank opinion. Someone mentioned in that connection the cross line from Digby down to the south shore line --

HON. MR. HARRINGTON: Middleton to Bridgewater.

COMMISSIONER WEBSTER: Then we have had a very frank statement in regard to this new line which is being built to Guysborough, on which work has been temporarily abandoned -- running through a hopeless territory, which can never provide traffic, and getting not very much at either end. Would it be fair to ask for a frank, honest statement, regardless of political considerations, on this

very important matter?

HON. MR. HARRINGTON: Of course, Doctor Webster, in the province of Nova Scotia we have not very many branch lines; all told they would not amount to very much. I should say that from the point of view of the general railway system they could scarcely be regarded as a fly in the ointment. The Guysborough line has never come into operation; whatever is there is merely a capital charge so far.

COMMISSIONER WEBSTER: Do you think it should?

HON. MR. HARRINGTON: The best I have to say as to that is that I think the situation should be thoroughly examined with a view to seeing whether there is any hope of its being reasonably profitable, or whether there are other considerations applicable to transportation systems that justify the operation of a road even though it does not quite carry its own weight. Take, for instance, the one in Inverness; it may not quite carry its own weight, but there is a community in that whole county of 25,000 people, and unless you are going to abandon them to isolation they must have some consideration.

COMMISSIONER WEBSTER: What about that cross line I referred to?

HON. MR. HARRINGTON: That is from Middleton to Bridgewater -- Mr. Goucher knows about that.

HON. MR. GOUCHE: That service, Doctor Webster, was established thirty or forty years ago. It is simply a daily service now between Bridgewater and Middleton, with an auxiliary service from Bridgewater into Lunenburg; but the daily service on that line extends between Bridgewater and Middleton -- just one train a day. I presume if the matter was investigated pretty thoroughly the existence of

the service and its usefulness would be well justified. A good deal of the traffic that was formerly carried by that railway is now non-existent; I am thinking of the lumber traffic, long lumber. Of course it has been taken care of to some extent by pulpwood, which has been moved in quite large quantities towards the Mersey mill, and also into Bridgewater for export purposes. The Davidson Lumber Company were operating there, at Springfield, for some twenty or twenty-five years, and supplied a great deal of freight for that railway. The passenger service is of course worth while; any curtailment in that respect would be more or less serious. I am frank to tell you that at the present time there is a very fine highway extending between Middleton and Bridgewater; within the last few years the road has been reconstructed so that there is fine provision for motorists proceeding across country from Middleton to Lunenburg. I may say for the benefit of the Commission that Middleton is about the centre of the Annapolis valley.

COMMISSIONER LOREE: How about the link from Halifax south along the Atlantic coast to Yarmouth?

HON. MR. GOUCHE: What I have said in connection with the passenger service on the other line is applicable to this line. Since this railway was built the highways have been reconstructed from Halifax to Yarmouth, so that the conveniences for travel have been very much improved during the last few years through the improvement of highways.

COMMISSIONER WEBSTER: Could the highway -- buses, motor trucks and so on -- serve the needs of the link between Middleton and Lunenburg except in the three months

Hon. Mr. Goucher

Hon. Mr. Black

Hon. Mr. Doull

of winter?

HON. MR. GOUCHER: I presume the passenger service could be fairly well taken care of, but the question of freight would always be a consideration. Even to-day, of course, the trucks are moving a great deal of the pulpwood everywhere in the country. Pulpwood has to be moved quite a long distance to get to the railways, and to-day it is largely moved by trucks. Unfortunately a great deal of the pulpwood is moved when the weather is worst and the highway suffers the most -- rainy weather in the late spring and in the fall of the year. I do not know that shippers study to do that kind of thing, but it is a common occurrence.

COMMISSIONER WEBSTER: With regard to the Guysborough railway, suppose this Commission were to advise in their report that it be torn up and what is left be not completed, would you as a government damn us severely? Would you think it a great evil?

HON. MR. BLACK: If in the first instance you could have given us half the money that that railway cost and had it applied towards the improvement of highways, the people would have been served very much better than they are being served now as regards transportation requirements.

COMMISSIONER WEBSTER: They would have been satisfied?

HON. MR. BLACK: Well, taking the whole of that section of the province, and speaking from my own view --

COMMISSIONER WEBSTER: I understand the length of the line would be about sixty miles; how much of that is built?

HON. MR. DOULL: Ninety per cent of the grading

is done, and about 27 per cent of the rails are laid. There is no ballasting done.

COMMISSIONER WEBSTER: Have you any suggestion as to what freight traffic can be obtained on it? Is there any wood?

HON. MR. BLACK: Oh yes; it goes through a section --

COMMISSIONER WEBSTER: Not important, though?

HON. MR. BLACK: There is quite an area of woodland.

HON. MR. DOULL: A great deal of it without water, you know.

HON. MR. HARRINGTON: It does not serve the timber land. The timber is driven on the rivers.

COMMISSIONER WEBSTER: About how many people would there be along the line of the railway, including the terminals?

LORD ASHFIELD: I think what Doctor Webster has in mind is the purpose that this railway was intended to serve.

HON. MR. DOULL: There is not much purpose in leaving it where it is, at the top of a hill, and not even into Guysborough town.

HON. MR. HARRINGTON: It was just that community of Guysborough, which is essentially a fishing community.

COMMISSIONER WEBSTER: What is the population of Guysborough?

HON. MR. HARRINGTON: There are only about 14,000 people in the whole county. I do not know what that section would be.

COMMISSIONER WEBSTER: Would Guysborough town be fifteen hundred?

HON. MR. HARRINGTON: I doubt it. But the Guys-

borough railway was designed before highway transportation was developed, and their complaint was that they were shut off from the rest of the world. While they are a small community, they have access to a large fishing area all along the coast, and they wanted some outlet. That is what started the agitation for the Guysborough railroad, and it carried through and beyond the period when highway development was fairly well ahead.

COMMISSIONER WEBSTER: Suppose we recommended that that line be abandoned as a railway and that the right of way be turned over to you for a highway, you could do something with it, couldn't you?

HON. MR. BLACK: That would have to be studied, Doctor Webster. I fear the cuts would be too narrow and the embankment would have to be flattened down. Perhaps certain sections of it could be used.

COMMISSIONER WEBSTER: Is there no road now?

HON. MR. BLACK: There is a road which parallels it pretty well from Melrose to Guysborough.

COMMISSIONER WEBSTER: I mean, what is the Guysborough outlet now -- a highway outlet?

HON. MR. BLACK: The main road goes from Guysborough town up to Monastery and connects with our Sydney highway, road No. 4 to Sydney.

COMMISSIONER WEBSTER: Is that road in good condition?

HON. MR. HARRINGTON: Yes.

COMMISSIONER WEBSTER: Would the Guysborough people be satisfied with the present highway link?

HON. MR. HARRINGTON: In lieu of a railroad?

COMMISSIONER WEBSTER: Yes.

HON. MR. HARRINGTON: I do not think so, Doctor.

COMMISSIONER WEBSTER: Would they make serious objection, do you think? Of course we would recommend it; you would not have anything to do with it.

HON. MR. BLACK: We have improved certain sections of the road from Guysborough direct to New Glasgow and over to Caledonia.

COMMISSIONER WEBSTER: Shediac is a more important place than Guysborough, yet no sane man would think of proposing a road sixty miles long to connect Shediac with St. John or Halifax or anywhere else; it would be an absolutely unsound proposition.

HON. MR. HARRINGTON: I think your statement as it stands is quite correct, Doctor.

COMMISSIONER LOREE: In making your highway, what width do you give the surface?

HON. MR. BLACK: Twenty feet between the shoulders is the narrowest road. Our improved trunk highways, trans-Canada sections, are thirty to thirty-three feet between the shoulders, making provision for a twenty-foot pavement.

COMMISSIONER LOREE: I suppose the grade on that railway allows for nineteen feet.

HON. MR. BLACK: I am not familiar with the width.

COMMISSIONER LOREE: I was wondering whether that width would serve for the character of traffic it would carry.

HON. MR. BLACK: There is also the question of bridges; I fear the bridges would be too narrow for two lines of traffic. You might get one over.

COMMISSIONER WEBSTER: Many of your bridges are too narrow now in Nova Scotia, so that you would be no worse off.

HON. MR. BLACK: Wherever we rebuild, we widen our bridges to take two or three lines of traffic. We aim at a twenty-four foot roadway on our bridges now.

COMMISSIONER WEBSTER: You see the point; we have to consider all these matters in every part of Canada, and if we can get an intelligent, conscientious and frank expression of opinion from the provinces, especially from the governments, it will go a long way towards helping us when we come to the final stages of this analysis.

HON. MR. HARRINGTON: With regard to the Guysborough railroad, it is a great deal less disturbing not to start a service than to discontinue one that is already started. That is just a piece of philosophy which may be of some use; I tender it for what it is worth.

COMMISSIONER MURRAY: May I revert to the question of the diversion of grain over the National Transcontinental to the Canadian Atlantic ports? I do not think there is anyone in Canada who would not be delighted to see it done. It looks as if the Crow's Nest Pass rates barely cover the actual cost of transportation. If you get a reduction of rates that would make it possible for grain to come this way, it is probable -- I am only expressing a personal opinion -- that it would result in a definite loss for every shipment. The question arises, then: would it be possible or desirable to have some form of subsidy from the treasury for the definite purpose of bringing the grain here. Perhaps I should not ask you this question, but the problem before the country and the railways at present is to make things pay, and a proposal like this gets beyond the margin between safety and danger.

HON. MR. HARRINGTON: I quite appreciate what you

have in mind, Doctor Murray. It is possible that a rate that would be sufficiently attractive to induce shippers to utilize the port of Halifax instead of New York or Baltimore or other United States Atlantic ports might not, under the railway's strict system of accounting, show a profit. But you know the situation that developed was this: from the head of the lakes to the port of Quebec there was a grain rate -- my figures are probably not quite accurate, but they are approximately so -- of 34 cents. Then there was a differential between Quebec and Halifax of one cent, making 35. No grain to speak of ever moved under either rate. Then Quebec made an application to the Board of Railway Commissioners for a reduction, and that rate from the head of the lakes to Quebec was cut to 18 cents. Halifax made the contention that the same differential should hold on their grain -- one cent more, but that was rejected by the Board of Railway Commissioners. It is now before the Governor in Council at Ottawa on appeal, and is coming up this week. Whether or not it would immediately show a profit in that one transaction is very difficult to say. But none of the transportation systems, so far as I know, have ever insisted that any one particular venture should show a return so long as it led to general traffic on the road and built up the parts of the country in which it operated; otherwise there is no explanation whatever for the crop of hotels that has arisen throughout this land from one end of it to the other. Apparently the important thing is to get traffic flowing, and if it flows other things will follow. I would think that that would not essentially be the deciding point; but also there was a proposal made by Mr. Meighen some years ago -- unfortunately I cannot remember

his exact words; they were very apt--but his idea was that Canada being a far-flung country, the transportation systems should be so handled as to bring the ends in more towards the centre, instead of making them carry the whole burden of the vast distances that have to be covered. I think that is quite to the point so far as the Dominion is concerned.

COMMISSIONER WEBSTER: The possibilities of the Economic Conference may open up a new situation. If there is to be a quota system, will that not mean a more constant flow of wheat to England from Canada, which might lead to a justifiable diversion from the American ports? Provided the rates can be arranged on the railways, might there not be henceforth a flow in the winter months from St. John and Halifax which has been impossible in the past owing to the conditions which his lordship has pointed out as having existed in New York, where shipments depend upon the price of the day and the demand for the moment in England?

HON. MR. HARRINGTON: Yes, I think you are quite right in that.

COMMISSIONER WEBSTER: Would it not be a good thing for you to keep a close watch on developments at the Economic Conference? If there is to be a quota system, would it not be the psychological moment to strike for development along the lines which you have been hoping for?

HON. MR. HARRINGTON: I think probably that is so. Of course one must be a good citizen of his own country before he hopes to be of much use as a citizen of the world. Anything I say in this connection should not be taken as derogatory of our good neighbours to the south, for whom we in Nova Scotia have a very great deal of admiration and with whom we are in close association. Within the last few weeks

I have been in the New England States, and it is said that there are more maritime people in those states than there are in the maritimes. So it is not that; but I feel that to carry our load in world affairs we must try to put ourselves in a sound position. If the Economic Conference produces anything it certainly will produce an increased flow of empire goods between empire ports, and that is the point that I think should be kept in mind -- have the east and west flow facilitated, and transportation systems built or constructed or reconstructed with that in mind. There is nothing hostile in my attitude towards the very best neighbours we could ever have; I do not mean that at all, but I do believe a man should be physically strong himself before he starts to lend physical aid to other people; and the same with nations -- it is our business to build up ourselves before we can be of much use to others. We will watch the developments of the Economic Conference, of course, but if it is to be successful, having in mind the purpose for which it is called, it is bound to result in increased flow to the empire, and this port of Halifax must carry a further load.

COMMISSIONER LEMAN: Have you given any thought to the economic aspects of the question: that any business, for instance, that is carried by the railways at a loss which is assumed by the Government must result in additional taxation? Do you concede that taxation could reach such proportions as to stifle trade and the development of business to such an extent that it might also affect the provinces by drying up their sources of taxation?

HON. MR. HARRINGTON: Yes, there is no doubt of what you say: that beyond a certain stage -- and I am not sure the Dominion treasury is not pretty nearly at that

stage now -- the burden of a country's transportation system becomes a very heavy drain. That is something that undoubtedly should be avoided; but there is just this point -- the public at large, as you know, invariably have to pay for certain utilities, perhaps non-productive, such as police services, sewers, and so on. These they are made to pay for through taxes of one kind or another. Transportation might be put in that class to a certain extent; that is to say, while it does not make a return on the investment it may be considered of a sufficiently national character to justify the difference being made up out of the public treasury. I can conceive of that position being taken, and as a matter of fact I would be prepared to concede that to a certain extent it is sound. But quite obviously a situation arises such as you have pictured, beyond which it would not be the part of wisdom to go, if indeed it may be considered wise to have allowed matters to go as far as they have. When the public treasury of a country like the Dominion of Canada has to carry anywhere from fifty to one hundred millions a year in respect of its transportation system, I think possibly you have reached the picture that you are trying to paint. I do not say, however, that as a principle it should be ruled out; possibly it is a matter of degree.

COMMISSIONER LEMAN: It has reached the point where it is a question of weighing the advantages and disadvantages.

HON. MR. HARRINGTON: Absolutely.

COMMISSIONER LOREE: It seems to me that you are entirely right, Mr. Premier; after all from one point of view it is a question of the method of approach. You give bounties for the raising of beet sugar; you do various things for the

purpose of giving enterprises a start and sustaining them in the hope that they will ultimately be able to take care of themselves.

COMMISSIONER LEMAN: Do you think it would be better, Mr. Harrington, to have such assistance granted in an open and definite way, through bounty or subsidy, rather than have it camouflaged and very often hidden under freight rates?

HON. MR. HARRINGTON: Well, I would think as a general principle it would be better always to have it definitely specified, so that the people may know the burden they are carrying. There is one consideration, however, to which you did not refer. There is one system of railroads that can have its deficits carried by the public treasury but there is another system that cannot, and to my mind that is one of the most arresting features of the whole situation. Even if the burden of sixty or seventy millions a year is burdensome to the ratepayers of Canada, it may be that it is borne in the maintenance of a system of transportation that is a very important matter for this Dominion.

COMMISSIONER LEMAN: That brings up another question -- not from the railway point of view, but just from the human point of view, in respect of the officers of the company operating a railway under conditions which they know cannot produce satisfactory results. It is disheartening, I should think, from the human point of view.

HON. MR. HARRINGTON: Yes.

LORD ASHFIELD: Is the province carrying any part of the loss incidental to the operation of the railways to-day?

HON. MR. HARRINGTON: Not directly.

LORD ASHFIELD: There is no direct burden upon the

finances of the province in relation to the railway opera-tion?

HON. MR. HARRINGTON: No, none at all that I can think of. It would be entirely indirect.

COMMISSIONER LEMAN: You had no railway guarantees in Nova Scotia?

HON. MR. HARRINGTON: Yes, we did, but we have now passed those over entirely, I think.

COMMISSIONER LEMAN: To the Canadian National system?

HON. MR. HARRINGTON: Yes.

COMMISSIONER LEMAN: Do you remember the amount that was guaranteed?

HON. MR. HARRINGTON: Between four and five millions, I think.

HON. MR. DOULL: Of course there were subsidies at different places -- land subsidies.

COMMISSIONER LEMAN: I am thinking of the guarantee of railway bonds.

HON. MR. DOULL: We own Halifax and Southwestern bonds to the amount of \$4,447,000 -- three and one-half per cent bonds, due in 1942. We hold them and get our interest on them from the C.N.R.

COMMISSIONER WEBSTER: We have had expressions of opinion at various points regarding the principles of private and public ownership, the effects of monopoly, and so on. Do you think the people of Nova Scotia have any particular bias in favour of private or public ownership? Would they fear adverse results from a monopoly under either private or public ownership, or would they be influenced simply by considerations of saving and economy?

HON. MR. HARRINGTON: I do not think they have any definite bias, but it is not a question that can be answered for them very definitely, one way or the other. Some public ownership enterprises are satisfactory; others are not. Some private enterprises are satisfactory, and some are not. The best I can say about the private ones that are not satisfactory is that they very soon go out of business, whereas the public ones might be continued. So far as Nova Scotia is concerned, so long as a reasonably satisfactory transportation service is provided, they would be interested chiefly in the economic supply of those services rather than in any question of actual ownership.

COMMISSIONER WEBSTER: There would be no fear of a monopoly, assuming it were carefully regulated?

HON. MR. HARRINGTON: I do not think there is any fear of a monopoly. We have the Board of Railway Commissioners to whom we can always appeal, and we feel that is a very satisfactory thing. Moreover, we can always appeal in the final analysis to public opinion. I do not think we have very much fear of monopoly.

HON. MR. BLACK: Reverting to the question of the Guysborough railway and the possibility of using it as an improved line serving Cape Breton, I may say that the standard on which it has been built is much higher and better than that of the present railway from Mulgrave to New Glasgow. I always felt there might be justification for the Guysborough railway, using it as an improved link in the railway facilities to eastern Nova Scotia.

HON. MR. HARRINGTON: But continue it from Guysborough along the coast.

COMMISSIONER WEBSTER: Would you tear up the other

one, then?

HON. MR. HARRINGTON: That line was built to carry both freight service, which travels slowly, and express and passenger services, which travel fast, and it is very difficult to adjust your curves at a proper angle for both these services, with any degree of comfort. It might be retained, perhaps, for one type of service and the new road used for another.

LORD ASHFIELD: Well, perhaps that will conclude the discussion this morning. May I again, on behalf of my colleagues and myself, ask you and the members of your Government, Mr. Harrington, to accept our warmest thanks for the assistance you have given us?

HON. MR. HARRINGTON: We are only too glad, Lord Ashfield, to give your Commission any information we can.

The Commission adjourned at 12.15 p.m.

(Page 1080 follows)

ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Parliament Buildings, Halifax, on Monday, January 11, 1932.

PRESENT:

RIGHT HON. LORD ASHFIELD, Acting Chairman

BEAUDRY LEMAN, Esq.,)

LEONOR FRESNEL LOREE, Esq.,) Commissioners

WALTER CHARLES MURRAY, Esq.)

JOHN CLARENCE WEBSTER, Esq.)

Arthur Moxon, Esq., K.C., Secretary

Representations were made by:

Mr. R. K. Smith, K.C., M.P., for the Transportation Commission of the Maritime Board of Trade,

Mr. C. B. Smith, K.C., for the Halifax Board of Trade,

Mr. Walter A. Black, for himself and certain business people in agreement with his views,

Mr. A. H. Whitman, on his own behalf.

Parliament Buildings, Halifax,

Monday, January 11, 1932.

AFTERNOON SESSION

The Commission met at 2.30 p.m.

LORD ASHFIELD: Gentlemen, before we begin the more formal proceedings, I wish on behalf of two of our colleagues, Mr. Justice Duff, our Chairman, and Sir Joseph Flavelle, to convey to you their sincere regret at being unable to attend today. Mr. Justice Duff on his doctor's orders is prevented from travelling at this particular time owing to a severe cold; Sir Joseph Flavelle, as perhaps you know, is detained at home through the illness of Lady Flavelle.

I understand it is desired to make certain submissions to the Commission, and we shall be glad to hear them.

MR. R.K. SMITH, K.C., M.P. (For the Transportation Commission of the Maritime Board of Trade): My Lord and gentlemen of the Royal Commission, may I take this early opportunity on behalf of the citizens of the Maritime provinces, fairly generally represented by the Maritime Board of Trade, to extend to your Commission a most cordial welcome to the Maritime provinces. I do so by reason of the fact that this is the first point in the Maritimes at which your Commission is sitting. May I also say that we share your deep regret at the absence of Mr. Justice Duff and Sir Joseph Flavelle.

Before proceeding with the main Maritime case, may I offer an explanation concerning the receipt of a memorial

from the Board of Trade of Charlottetown, Prince Edward Island. This memorial came too late to be dealt with in our main brief. It is a copy of a document presented to the Board of Railway Commissioners on Dec. 3, 1931, containing a protest against the discrimination and inadequacy of transportation facilities pertaining to passenger, freight, express and mail services on the Island. I should like to file this with your Secretary.

LORD ASHFIELD: Certainly.

MR. R. K. SMITH: May I add that the Charlottetown Board of Trade has also been joined in the application by the government of Prince Edward Island.

I am appearing today on behalf of the Transportation Commission of the Maritime Board of Trade. This Commission is representative of the three Maritime Provinces.

As we understand the terms of reference, your Commission has been empowered to investigate matters relating to transportation generally in Canada, and, in particular, to report, with recommendations as to correctives, the reasons underlying the present serious railway situation in the Dominion.

Your Commission has taken evidence with regard to the position of railway companies, and has received numerous briefs submitted on behalf of the shipping public and taxpayers, and also shareholders of privately-owned railway systems.

Insofar as statistical data relating to the operation of the railway companies in Canada, and general information relative to their position with regard to exposure to competition, is concerned, we are confident that you have been supplied with all the necessary information upon

which to base an accurate assessment of this particular phase of the problem. We fully appreciate the responsibility which has been delegated to your Commission and the magnitude of your task, and will look forward with considerable interest to the results of your deliberations, which we are hopeful will go a long way towards relieving the Canadian taxpayers from the enormous sums which are now found necessary to maintain a government-owned railway system, and also to insure the value behind the securities of privately-owned lines.

In submitting our suggestions to you, we in the Maritime Provinces have, we hope, taken an intelligent interest in the entire railway problem of Canada. Therefore, certain recommendations included in this submission may be of Dominion-wide importance, as well as matters immediately concerning this part of the country.

Dealing briefly with the historical background behind the construction of railway lines in Canada, it is not necessary for me to place before your Commission any detailed reference to the reasons for the construction of practically every major railway development in this Dominion. It is probably sufficient to state that all railway lines developed in Canada were designed for three principal reasons, viz.,

- (a) Opening up new territory.
- (b) Providing for an interchange of commodities as within and between the different provinces of Canada.
- (c) To provide for Canada's foreign commerce being handled through Canadian channels and ports.

With the exception of the Grand Trunk Railway system,

which was constructed and operated by private enterprise, the matter of Canada's independence in rail transportation was paramount when all other major railway projects were conceived and carried out. Today the Grand Trunk Railway system is a component part of the Canadian National Railway system, and therefore has been included in the programme which has been directed towards independence for Canada in rail transportation.

Before dealing with the present situation, I would like to refer briefly to the past performance of railways in Canada. It will readily be ascertained from returns, which your Commission has for reference, that railway construction in Canada far exceeded the immediate requirements, because of matters of national importance which demanded that the provision of these facilities should be in advance of traffic requirements. This was particularly true in early years of the history of Canada. If the Intercolonial Railway had not been built, it is doubtful if a federation of the British Provinces could have been accomplished in 1867. It is also a matter of historical interest as to what would have happened to what is now the Canadian Northwest if the Canadian Pacific Railway had not been forced through from eastern Canada to the Pacific coast.

The demand for railway competition in Canada, plus the need for opening up new territories, resulted in enormous sums being spent in the construction of the Canadian Northern, National Transcontinental and similar projects. Statistics, which you have at your disposal, will indicate that the provision of railway mileage has far exceeded the increase in traffic.

Canada ventured on probably the greatest transportation experiment the world has seen when, in the latter part of the war years, the Canadian National Railway system was formed, thereby creating the largest government-owned and operated railway system in the world. This resulted in Canadian rail transportation services being left in the hands of two railways similar in character and transcontinental in scope; namely, the government-owned system, the Canadian National railway, and the privately-owned system, the Canadian Pacific Railway.

We in the Maritime Provinces have followed these developments with the closest interest. The result of the changes in the railway situation in Canada from 1918 to date, has been to create competition between two powerful systems, but we believe that this competition has not been directed so much towards services to the shipping public as in the past few years towards spending large sums of money in an endeavour on the part of one system to outdo the other in the matter of facilities, without taking into consideration the ultimate result in earnings.

I should like here to refer to the question of competition to which railway companies are exposed now as compared to a comparatively few years ago. Many competitive features have arisen in the past few years which, to some degree, have precipitated the present situation, not only in Canada but throughout the world. For many years, the greatest competitor of the railway system was the water carrier. Today the railways are not only exposed to competition from water carriers, but the automobile and bus lines are probably as serious competitors, if not more so,

than the water carrier. The rapid development of passenger, mail and express air lines has created another serious competitor. The development of electrical energy, carried hundreds of miles by transmission lines, has seriously cut into the coal or fuel traffic of the rail carriers. The creation of pipe lines for petroleum products has also depleted revenue freight tonnage. The degree to which the automobile and bus traffic has drawn passenger traffic away from the rail carriers is a very serious matter. These are just a few examples of the changes which have taken place in transportation during the past few years, and to some of which solutions have yet to be found.

It is undoubtedly true that the rail carriers opposed the new means of traffic rather than entering into this class of transportation until comparatively recent years. The situation has developed now to a point where it is practically impossible for the rail carriers to take over and operate certain branches of these new transportation services. Therefore, we suggest that it is necessary for some fair basis of equity to be established between the different classes of services offered.

There is little apparently that can be done with two serious competitors; namely, the electrical transmission lines and the pipe lines, and it would be difficult for us to offer any useful suggestions in this regard.

With reference to bus and truck competition. This is a matter which has been given continuous and close study on the part of experts during the past few years. The different provincial governments in Canada have spent enormous sums of money in providing high grade roads so that

transportation services of this nature can be operated. With the exception of the railway mileages through undeveloped or partially developed sections of Canada, practically every line of railway faces parallel competition of the truck, with door-to-door delivery service, and passenger bus lines. As yet, the movements of passenger, express and freight on bus and truck are largely confined to provincial movements, but inter-provincial movements are growing rapidly. The provincial governments have made some attempt to regulate the bus and truck, but it can hardly be said that, as yet, any definite basis of regulations has been established. Each year the automobile manufacturer is stepping-up the carrying capacity and speed of busses and trucks. No accurate assessment has been made as to whether this type of carrier pays its full share of the maintenance of the highways. It has been claimed that, by paying a gasoline tax, the bus and truck contribute in ratio to mileage travelled. This may be true to a point, but a variable factor is the load the truck carries over a highway in comparison to the consumption of fuel and lubricants per unit mile. We have not the facilities for making an expert investigation into this matter but, generally speaking, we would respectfully submit that there should be set up, either by joint action of the provincial governments or through the Federal Government, a regulatory body which would control the proper development of this class of transportation, both with respect to its responsibility to the travelling and shipping public and the tolls charged. It is undoubtedly correct that a number of the trucking companies are charging rates which are entirely too low to cover operating expenses and allow for

amortization of capital. This, we feel, is not economically sound, and is only creating a type of competition which could hardly be termed equitable or constructive.

We feel that your Commission, after an investigation of the facts, will agree that the bus and truck form of transportation has developed to a point where action of the nature suggested is in the public interest.

I would like now to deal with the question of water competition. Railway lines on the North American continent are exposed to water competition from all angles, with very few exceptions. The major developments which have brought about the situation are, first, the Panama Canal, which materially affected the transcontinental rail rate levels; the St.Lawrence River and Great Lakes system, and the Mississippi River development. These facilities have permitted the easy flow of water-borne traffic, and have been largely the result of governmental activity. After spending millions of dollars in the development of the Great Lakes and St.Lawrence waterway system, the Dominion government cancelled the tolls against shipping and cargo tonnage, and today this great waterway system is open to shipping free of charge, and the Canadian taxpayer is carrying the capital cost of the construction.

From an estimate prepared recently, it is calculated taking into consideration interest, maintenance and operating expenses, that cargo tonnage moving on vessels on the St.Lawrence River and Great Lakes is indirectly subsidized to the extent of at least \$2 per ton. This is indirect competition with the railway lines, which have to meet this condition, not only being forced to make tolls

to the public which reflect water competition, but are contributing large sums in the form of civic, provincial and federal taxes. This is a problem which requires very serious consideration, particularly as pressure is constantly being exerted towards the enlargement of artificial waterways systems, which inevitably would increase this competition.

May I refer briefly to the competition of air lines. This is a new type of competitor which has developed within recent years, but which has every indication of becoming a potential competitor, particularly with regard to passenger, mails and express. With the taking over of the Canadian Airways under the joint ownership of the Canadian Pacific and Canadian National Railways, this class of competitor can possibly be relied upon to be developed and controlled as the public require it. Air lines in Canada are undoubtedly opening up new territory where rail lines or highways can only be built by heavy expenditures; this, particularly in the northern areas. It would not appear that the situation is such, as yet, that airway competition in Canada has reached the point where a relationship should be established between it and the many other transportation services.

Prior to Confederation, it was recognized in the Maritime Provinces on cancellation of our reciprocal trade agreement with the United States of America, that the north and south trade and transportation policy enjoyed by us for some year's was, if not a thing of the past, at least an uncertainty upon which we in the Maritimes could not rely, if we were to build a great commercial country and improve our national position, and that Canada, then but scattered

colonies, would have to develop an east and west policy if we were to expand. Undertakings given by the Fathers of Confederation induced us to join the Canadian Union, and transportation overtures on east and west traffic movement were given impetus and official recognition in Section 145 of the British North America Act.

Confederation in itself was of necessity an east and west arrangement; it could not be otherwise on account of the geographical location of its component parts, and an essential for British solidarity within the Empire, and complete independence from our southern neighbor, the United States. The scheme of union was based on the east and west policy, and there were the most solemn pledges it would be so developed.

In accordance with pre-confederation pledges, and shortly after 1867, this country embarked on the construction of the Intercolonial Railway (the bonds of which were guaranteed by the Imperial Government, which of itself was significant) and the only pronouncement of policy outlined in the British North America Act was contained in Section 145, providing for the construction of this road. Following closely on the construction of the Intercolonial Railway came the building of the Canadian Pacific Railway, which stretched its steel from Atlantic to Pacific, giving further tangible evidence of our east and west transportation goal. It is interesting to note that the policy of the Canadian Pacific, according to Sir John A. Macdonald, in discussing the charter of the railway, was to confine trade to the Canadian side of the border, and to build Montreal, Quebec, Toronto, Halifax and Saint John by means of one Canadian

line. To this end, there was included a monopoly clause in the legislation of the C.P.R., which provided in substance that (to preclude the traffic from the northwest being tapped by American carriers) for twenty years after the enactment of the charter legislation of the Canadian Pacific, no railway should be chartered within fifteen miles north of the international boundary, and the government undertook to maintain this prohibition within the period stated, in the case of any provinces created in the future in the Canadian west.

Shortly after the Canadian Pacific Railway was completed, the National policy was established in Canada. This was designed to be a further safeguard against the north and south trend, in that it was meant to protect the people of Canada east and west against the alluring trade possibilities with the United States. And that policy has been maintained by successive governments, with but slight variations.

On November 5, 1902, the Grand Trunk brought before the Dominion Government a proposition for the construction of a line of railway from North Bay on the Grand Trunk system in Ontario to the Pacific coast at or near Port Simpson. It was stated by them that a second transcontinental railway was necessary in order to handle the expanding business of the northwest, and prevent its diversion to American channels. In 1903 charter legislation was enacted, and instead of providing for constructing terminals at North Bay, traffic to the Canadian seaboard therefrom going by means of the lines of the Grand Trunk and the Intercolonial, it was provided that the line was to be constructed from Winnipeg to Moncton. From Winnipeg to the Pacific coast the Grand Trunk

Pacific was to build the line. The Transcontinental for the purpose of the development of the east and west policy, was by statute joined with the lines of the Intercolonial Railway.

In 1903 the Government of Canada, according to the purpose expressed in the Transcontinental Railway Act of that year, definitely restated the east and west policy as the official records disclose. We do not wish to encroach on the time of the Commission by quoting in detail the many declarations of government policy either by statutory enactments, public utterances or documentary agreements, but your Commission will find since Confederation a steady reiteration of this policy.

In recent years our east and west policy received further recognition by governmental enactments, confining the application of the British preference to goods entering Canada through Canadian ports.

The creation of the nucleus of the present Dominion involved a number of readjustments in the position of the Maritimes.

Within the past decade, the situation became so serious in the Maritime Provinces that the Federal Government was forced to appoint a Royal Commission generally to investigate the entire situation. The report of the Royal Commission on Maritime Claims (1926) speaks for itself and needs no elaboration here. It is submitted for the information of your Commission.

The failure so far of a realization of the full benefits of the east and west transportation policy, will become apparent when you learn of the inadequate use of

Maritime ports, and the diversion of such a heavy volume of Canadian traffic to American harbours. To illustrate specifically: Canadian wheat moving eastward for export during the calendar year 1930 was handled through the following channels:-

Via Canadian ports	47,300,000 bushels
Via United States ports	67,700,000 bushels

As an indication that this un-Canadian situation has not changed and, if anything, has become more aggravated, we draw particular attention to official figures provided by the Dominion Bureau of Statistics. These figures show that during the first four months of the 1931-1932 crop year (August to November, inclusive) Canadian wheat exports to the United Kingdom left this country in the following quantities and through the following channels:-

	<u>Bushels</u>
Through Canadian Pacific ports	5,896,839
Through Canadian Atlantic ports	8,063,864
Through United States ports	30,534,435

Here is a movement which we contend should be all-British in character, and still we find that during that period of some 43,000,000 (million) bushels of wheat shipped from Canada to the British Isles, not less than 30,000,000 (million) bushels were diverted through foreign channels.

These figures give some idea of the diversion to foreign territory and foreign ports of Canadian traffic to the value in normal times of more than \$1,000,000 for every working day, and it has been estimated that upwards of \$20,000,000 a year is paid foreign transportation systems for the carriage of Canadian grain alone.

In 1930 the port of New York handled a total of

57,883,006 bushels of grain, divided as follows:

	<u>Bushels</u>
Canadian Grain	54,823,830
United States Grain	3,059,176

94.6 per cent of grain moving through the port of New York in 1930 was produced in Canada.

In the same period practically the entire liner tonnage using the port of New York was ballasted with Canadian grain.

A direct result of this is that the ports of Saint John and Halifax are not enjoying any adequate volume of the Canadian traffic, although they are capable of handling a large share of Canadian grain and other products.

In order more clearly to develop this aspect of the question, may I refer your Commission to the text of an address delivered recently by Col. E. C. Phinney, President of the Halifax Harbour Commissioners. The following are excerpts from this address:

"As a single illustration of how this situation may be met and corrected, without placing the shipper under any additional handicap, may I cite you some facts concerning the National Transcontinental Railway.

"This railway cost the people of Canada in round figures \$360,000,000. It is there for the use of Canadians. They have paid and are paying for it.

"The enormous sum of approximately \$20,000,000 annually is paid to foreign transportation systems for the carriage of Canadian grain alone.

"Is it wise, is it economical, to allow a large portion of that railway to deteriorate into two streaks of rust?

"That railway was built for a specific purpose, namely, in the words of Sir Wilfrid Laurier, to 'force' Canadian traffic over Canadian territory and through Canadian ports.

"Speaking in the House of Commons in 1903, Sir Wilfrid Laurier, then Prime Minister of Canada, said this of the N.T.R. project:

'This new railway will be another link in the chain of union. It will not only open territory hitherto idle and unprofitable; it will not only 'force' Canadian trade into Canadian channels; it will not only promote citizenship between Old Canada and New Canada; but it will secure our commercial independence, and it will forever make us free from the bondage of the bonding privilege.'

"That was Sir Wilfrid Laurier's formal declaration regarding the N.T.R.

"And, again, on that occasion he said this, regarding the very question we are discussing today:

'In the face of this, are the Canadian Parliament and people going to stand on their manhood and place us in such a position that at all times of the year, not only by one railway but by two or more, we shall have access to our own harbours and be able to say to our American neighbors; 'Take off your bonding privilege whenever it suits you; we are commercially independent.'

"What that great Canadian said a quarter of a century ago

"can be said with equal or greater force today. That declaration and the statutes into which it was crystallized are just as vital to Canada in 1931 as they were in 1903.

"And those statutes provide, in relation to the N.T.R., 'that the through rate on export traffic from the point of origin to the point of destination shall at no time be greater via Canadian ports than via United States ports'.

"That is the crux of the Transcontinental statutes - that was the statutory commitment upon the basis of which those immense sums of public money were spent to give effect to a Canadian transportation policy.

"Was that public money wasted -- or is the Transcontinental to be put to the national work for which it was constructed?

"It is needless for me to remind you that neither in the spirit nor the letter is that Act being observed. This, because the present Transcontinental rate level makes it impossible to move traffic over that line in competition with the New York route.

"The all-rail grain export rate from the head of the lakes to Maritime ports is fixed today at 29 cents per hundred pounds. Compare this with the all-water rate of 10 to 12 cents per hundred pounds from lakehead to New York.

"The immediate problem here is to ascertain whether or not it is economically possible to bring into effect a moving rate from lakehead, via this three hundred million dollar

"railway, to Canadian Atlantic ports.

"Detailed studies have convinced us that such a rate can be made that will result in the use of the N.T.R. and at the same time be a profitable rate to the carriers.

"It must be remembered that the N.T.R. in its construction was given exceptionally low grades and a minimum of curvatures, in order to permit a similar type of locomotive to haul over this line double the amount of revenue tonnage that it could haul over any other line in Canada.

"To produce this result no expense was spared, and yet traffic continues to be diverted in immense volume from this line, and is still being carried over United States lines and to United States ports.

"Compare the situation on the Canadian Pacific coast with that on the Canadian Atlantic seaboard.

"Canadian railways will not agree to publish through rates via United States railways to Spokane, Seattle or any other U.S. Pacific coast port on as low a basis as to Vancouver, Victoria and Prince Rupert.

"As compared with this, we find the Canadian railways agreeing to the same or even lower rates with United States carriers to United States Atlantic ports than to Canadian Atlantic ports.

"The result is that Vancouver, Victoria and Prince Rupert handle all the Canadian business moving via the Pacific, while Canadian Atlantic coast ports remain under the domination of United States Atlantic ports and receive

"far less than their fair share of Canadian traffic.

"A proper use of our N. T. R. would largely solve this problem in the East.

"Apart from the benefits that would flow to Eastern Canadian carriers and Atlantic ports, the establishment of an effective rate via the N.T.R. would, we are convinced, be of material assistance in the merchandising of western Canadian grain.

"This rate would provide an outlet from lakehead to seaboard twelve months out of the year, and would assist in the more orderly marketing of the crop, which is now locked up at Fort William and Port Arthur during the winter months. It would also relieve the congestion frequently encountered at the lakehead, with its resultant heavy loss to the producers who are unable to effect deliveries to country elevators, which likewise are blocked."

I pass now, my Lord, to another phase of the transportation problem, so far as the east is concerned, with respect to the Intercolonial railway, commencing with a brief historical review.

HISTORY OF INTERCOLONIAL RAILWAY.

This road was built immediately after Confederation as part of the agreement under which the British Provinces in North America were united. (Section 145 B.N.A. Act).

The first western terminus was at Riviere du loup but by a series of purchases and operating agreements, it finally entered Montreal terminals of the Grand Trunk Railway.

The entry into Montreal was accomplished about 1897.

Up to 1915 this road was operated as a separate entity with a separate management. It was then tied in with the National Transcontinental Railway and both lines were operated under one management and known as the Canadian Government Railway system.

Since the construction of the Intercolonial and the National Transcontinental, and up to 1918, this system of government-owned lines was operated separately with management at Moncton, reporting directly to the Minister of Railways.

In 1918 this government system, comprising the Intercolonial and the National Transcontinental was turned over for operation and management as part of the then newly formed Canadian National Railway system.

For five years the Intercolonial Railway was operated by the Canadian National Railways without the Board of Railway Commissioners having any jurisdiction with regard to rates in relation thereto. The Dominion Government finally transferred authority to the Board of Railway Commissioners in 1923 with regard to tolls to the public. Authority with regard to operation was vested in the Railway Commission in 1927.

During a discussion of certain railway legislation in the Senate of Canada in the session of 1927, a member of the Senate asked Hon. Raoul Dandurand, Government leader in the Senate and a member of the Administration, for some information regarding the status of the Intercolonial railway. Mr. Dandurand took time to reply to the question, and in the course of a few days submitted in the Senate a statement signed by Gerard Ruol, K.C., Chief Counsel for the Canadian

National Railways. The opening paragraph of Mr. Ruel's statement, which is to be found in the Senate Hansard of March 29, 1927, reads as follows:

"The situation is very simple. The Intercolonial has not either entirely or partially lost its significance as a government railway, nor has its status as a factor in the Confederation arrangement been in any manner impaired. It is still the same old Intercolonial, owned exclusively by the Crown and not amalgamated with nor consolidated as a part of any other company or system."

While this statement from the Chief Counsel of the Canadian National Railways was very reassuring to the Maritime people, still we have been unable to understand how in the light of such a statement it has been possible for the Canadian National Railway Company to obliterate the identity of the Intercolonial and entirely to dispense with its name, which is distinctly stated in Section 145 of the British North America Act. There is nothing associated with the Intercolonial as presently administered and operated, to indicate that it still enjoys the status so clearly stated by Mr. Ruel.

This is a matter of vital concern to the people of the Maritime Provinces, and one which we respectfully suggest this Commission might take into consideration.

Prior to the Intercolonial Railway being operated as part of the Canadian National Railways system this road was a separate entity and provision for through rates to and from Intercolonial territory was made with connecting lines, either as terminal or intermediate carriers, which gave the

shipping public access by through rates to practically all markets of the North American continent. Immediately the Intercolonial Railway was transferred to the Canadian National Railway system for operating purposes, steps were taken by the Canadian National Railway to limit to the National Railway system as much of the revenue road haul as possible. The situation became so serious that, in the interests of the shippers in the Maritime Provinces, action had to be taken to protect this section of Canada from its being placed in the hands of a railway monopoly. The details of what occurred between 1918 and 1927 are voluminous, but it is sufficient to say that the situation became so aggravated that it was necessary for the Federal Government to intervene, not only with regard to competitive railway services but with regard to tolls to the public.

One of the most serious problems facing Canada is the question of reducing net operating costs and increasing traffic. This is the only solution, as we see it, to the present situation, and in this connection we would like to make certain observations.

(a) For many years the matter of independence in transportation has been a problem of national importance. We referred previously to the historical background behind the construction of railway lines in Canada. The diversion of enormous quantities of Canada's traffic to foreign carriers and foreign ports seriously affects Canadian rail lines, particularly the lines east of Montreal and south of the St. Lawrence River. It is quite true that Canadian lines are exposed to competition from United States lines tapping the chief Canadian centres of traffic, but we believe that

a great deal more can be done in a constructive way by the railway companies themselves to hold to Canadian lines Canada's export and import traffic. By this we do not mean that the railway companies control routing, but we do feel that a great deal more can be done by the Canadian railway lines to educate the shipper or consignee in this respect and encourage the use by Canadians of our own transportation channels.

(b) It is our belief that joint operation of terminal railway facilities throughout Canada would materially reduce operating expenses. The degree to which this can be accomplished depends entirely upon the terminal layout at each important point, but the joint use of facilities at a number of terminals in Canada would result in a marked decrease in expenses. We have particular reference to the problem now facing the railway companies at points such as Montreal, where to create two separate terminals will involve the expenditure of many millions of dollars, whereas joint operation would reduce capital expenditures and operating expenses by an enormous amount. A similar situation is prevalent at the ports of Halifax, Saint John and Vancouver.

(c) Another matter which is of serious importance is that of revenues being received for services performed; i.e., tolls to the public. We understand that your Commission has indicated that you will not attempt to deal with the question of the general level of rates charged by the railway companies for the various services. However, we cannot but feel that, if your Commission is to make a complete investigation, this most important feature cannot wholly be overlooked. We do feel that your Commission should include in

its studies the position of the Board of Railway Commissioners for Canada.

In this connection we would refer your Commission to Section 12 (pages 23, 24, 25 and 26) of the report of the Royal Commission on Maritime Claims (1926), dealing with the scope of the Railway Commission's functions and making recommendations in relation thereto, which have not been implemented.

(d) It is often necessary to spend additional sums in capital outlay to cut operating expenses. Such capital expenditure must of necessity be carefully gauged. However, we have one or two suggestions to make.

(1) A study of the terminal rail layout and operating expenses at the port of Halifax will indicate that the terminals are fairly expensive to maintain and operate. A similar corrective can be applied to the port of Saint John as well.

(2) We would suggest that a survey be made at the Strait of Canso to see whether or not the building of a bridge across the Strait would cut down terminal operating expenses of the railway at that point, and whether or not the additional capital expenditure would be warranted.

(3) We would suggest that a study of the use of the National Transcontinental Railway from Joffre, Quebec, to Pacific Junction for the handling of passenger trains, etc., might be productive of considerable saving in the traffic costs between Moncton and east and points west of Joffre or Levis. This not only in the matter of operation, but also in the matter of despatch.

(4) We would suggest that your Commission look over the physical possibilities of the National Transcontinental Railway from Winnipeg to the Atlantic seaboard, as being in itself a potential competitor of the all-water route.

There is another important question which we feel your Commission might take into consideration, and that is the operation of government-owned railway lines in foreign territory, and whether or not it would be advisable for these lines to be disposed of in whole or in part. Certainly we do not believe it is in the interests of Canada for the Canadian National Railways to be operating coal mines in the United States in competition with our own mines and miners. It would be a better policy, from a national point of view, to provide these coal requirements from Canadian mines.

For a number of years past there has been a persistent enquiry as to the feasibility of transporting coal to central Canada from the Maritimes in the empty grain cars on the back haul. This phase of the transportation question so vitally affecting the Maritime Provinces we suggest might engage your consideration and investigation. We understand there are in existence models of combination grain and coal cars which it is claimed would prove very satisfactory in a service of this kind.

Before closing, there is an important matter with respect to the Maritime Provinces to which I would like briefly to refer. The Maritime Provinces have been the subject of criticism in some sections of Canada because of the so-called operating losses of the Atlantic region of the Canadian National Railways. While we do not attach much

importance to criticisms of this nature, because they are largely based on misinformation, nevertheless, we feel that our submission would not be complete without reference to the question. Those at all familiar with railway accounting and operation know that it is impossible to segregate one section of a railway and set up a cost figure which in any way would relate itself to, or be taken as a measure of, the tolls being charged on that particular section of the line. This is particularly true as the Canadian National Railways follow largely the Interstate Commerce Commission method in inter-regional accounting. Added to this, the Atlantic region of the Canadian National Railways has more terminals than any other section of the system. The fact that the Intercolonial Railway was forced to traverse a round-about route is also another factor which makes for expensive operation. The operation of car ferries between Prince Edward Island and the mainland and also at the Strait of Canso add considerably to the operating expenses. We would suggest a careful study of the factors entering into this operating loss.

We have not dealt with any of these problems in extended detail, realizing that you have available adequate material of this character. We appreciate that you have a serious problem to solve, and while drastic measures may be necessary to reduce the enormous losses with which we are faced in Canada today in relation to the different forms of transportation, we also appreciate that you can only go so far without imperilling the services to the public and in maintaining a fair balance of equity throughout the Dominion.

My lord and gentlemen, in addition to submitting this brief I am asking the liberty of filing certain documents, most of which I have already referred to in the statement I have presented.

First there is a copy of the Transcontinental Railway Act; and I would refer your Commission particularly to Chapter 71, sections 42, 43, 44 and 45, pages 21 and 22 of this exhibit.

Also a copy of the submission of the Province of Nova Scotia to the Royal Commission investigating Maritime Claims. In my brief I have made several references to that document.

Copy of the report of the Royal Commission on Maritime Claims -- I also refer you to certain sections in that document.

Memorandum respecting the transportation problems and freight rate structure of the Province of Nova Scotia, as compiled by F. C. Cornell, which contains very valuable information on that phase of the transportation question.

LORD ASHFIELD: Who is Mr. Cornell?

MR. R. K. SMITH: He is at present a freight rate expert connected with the Halifax Harbour Commission.

Then there is another document prepared by Mr. Cornell, entitled "Military and Strategic Mileage added to the Intercolonial Railway as compared to the Proposed Commercial Route," which I am sure your Commission will find most interesting and instructive.

Copy of the extract partly quoted by me in the brief regarding the statement of the Government leader in the Senate on the status of the Intercolonial.

Copies of two orders in council passed in 1923 relating to certain changes in the status of the Intercolonial and the Grand Trunk and other lines.

Address delivered by Hon. H. A. McKeown, former Chief Commissioner of the Board of Railway Commissioners for Canada, on Transportation Matters in the Dominion, perhaps with special relation to the Maritime Provinces' point of view.

Finally, my lord, there is to be heard this week in Ottawa -- on the 14th -- an appeal from the decision of the Board of Railway Commissioners to the Governor in Council with respect to certain rates concerning the movement of grain from western Canada to Atlantic ports. I do not think, my lord, that this case can be said to be sub judice, although, as I say, the appeal is being made to the Governor in Council from the Board of Railway Commissioners. I would like very much, without violating any of the ethics of usual procedure, to file a copy of the petition of the Halifax Harbour Commissioners, and also the brief; if not at this time, perhaps at some later date, because I feel, my lord and gentlemen, that the information contained in these two documents is of essential importance to many of our transportation problems in the Maritime Provinces. I rather hesitate to place these before the Commission now, but if I may have permission to do so I shall be glad to forward them at a later date.

LORD ASHFIELD: When you speak of a later date, what have you in mind?

MR. R. K. SMITH: Well, the case will probably be decided within a couple of weeks or so, and then of course

it becomes public property.

LORD ASHFIELD: That might be an appropriate time to file the document. There would be no objection to that.

MR. R. K. SMITH: Thank you, my lord.

LORD ASHFIELD: The Commission thank you for your very exhaustive statement and the papers relating to it. Your representations will receive careful consideration.

COMMISSIONER LOREE: Could you give us also for the record, Mr. Smith, the figures of export of American grain through Montreal?

MR. R. K. SMITH: I have not the exact figures here, but there is no comparison whatever. There is a very small quantity of American grain shipped through the port of Montreal or any other Canadian port. The figures, as a matter of fact, are in the brief which is being presented to the Governor in Council in connection with the appeal from the Board of Railway Commissioners.

COMMISSIONER LOREE: Is it fifteen or twenty millions, something like that?

MR. R. K. SMITH: No, I do not think it is anywhere near that. I think it is more around nine or ten millions, speaking offhand.

LORD ASHFIELD: Perhaps you can get the figures?

MR. R. K. SMITH: I can get them, my lord; I have them here.

LORD ASHFIELD: In connection with your reference to the large diversion of Canadian grain to United States ports, speaking particularly of New York City, I may say it has been represented to the Commission that one reason given for that diversion -- certainly not a full reason -- is

that the consignee or shipper has a wider selection of steamship facilities if he directs his grain to United States ports, and that arising out of this wider selection he is able to obtain the advantage of lower overseas rates in respect of cargo carried on passenger liners as compared with the rates charged by cargo ships. I wondered whether in searching into this question your organization had run across any such instances as that.

MR. R. K. SMITH: Well, my lord, I can assure you that we have not carelessly wandered into this question without a full study of that aspect of the situation. A great deal of what you have said is absolutely true. Our point in that connection is this: the shipper has, of course, the right to ship his product over whatever line he prefers and to whatever destination he prefers. In the statutes of 1903 it was clearly stated that the transportation company would encourage in every possible way the shipment of this product over Canadian lines and through Canadian ports, but that, we maintain, has not been done. Now, with respect to the crux of the question that you asked, I understand it to be this: that the grain goes to a port which has the assembling facilities and tonnage and cheap carriage -- which is quite true; there are some of them in the United States, Portland, New York, and others. Our contention, however, is that we would develop that very thing in the ports of Halifax and St. John if we could first get this grain going through these ports. In other words, the traffic must come first before that phase of it could possibly be developed. The facilities were established in United States ports because the traffic was going there, and until we get the traffic coming through our Atlantic ports there is no

possibility whatever of developing that competitive phase of transportation which is highly important from every possible angle. If we secure the transport of enough of the grain products through these ports, that situation would naturally develop and follow in its trail; the liner tonnage and the tramps and all other forms of ocean carriers would be, as they are in United States ports, in close proximity, looking for the transport of these products and competing one with the other for it. I do not know, my lord, whether or not I have made that clear.

LORD ASHFIELD: Yes, sufficient, I think, for the purposes of the moment. Thank you very much, Mr. Smith. We will now have a submission from Mr. C. B. Smith for the Halifax Board of Trade.

MR. C. B. SMITH: My lord and members of the Commission, it becomes my duty to present certain submissions on behalf of the Halifax Board of Trade. They are necessarily of a general character, but are based, I think, upon generally accepted facts. If any statement made requires substantiation, I may say that I have witnesses who are prepared to give the necessary evidence upon the point. Apart from that I propose, with your lordship's permission, merely to read the submission.

The Halifax Board of Trade begs to submit for the consideration of the Royal Commission certain matters which in the opinion of the Board are important factors in the general problem of Canadian Transportation and are of vital interest to Halifax and the Maritime provinces generally.

These matters may be conveniently grouped under four headings, viz:

1. Routing of Canadian trade through Canadian channels.
 2. The calling at Boston of the Lady boats, so called, of the Canadian National Steamships.
 3. The use of intercolonial rails and port facilities by other railroads on a more equitable basis.
 4. Freight handling and charges at the port of Halifax.
1. Routing of Canadian trade through Canadian channels:

It is understood that a submission upon this point will be made by counsel representing the Transportation Commission of the Maritime Board of Trade --

That has already been done.

-- and we have no desire to labour the point further, but wish to state that we are entirely in accord with the views expressed on behalf of the Maritime Board of Trade.

It is, we think, generally accepted that the national development of Canada is to a very large extent dependent on the establishment and maintenance, in an increasing degree, of east and west routes of traffic, and to attain this end that it is necessary that the Atlantic seaboard ports be used to the greatest possible extent.

In this connection the Halifax Harbour Commissioners and the Transportation Commission of the Maritime Board of Trade have pending at the moment an appeal to the Governor in Council from an order of the Board of Railway Commissioners for Canada refusing to make applicable to the maritime ports the Quebec grain rates, so called.

This was the matter of which my predecessor, Mr. Smith, has just spoken. I am instructed to say on behalf of the Halifax Board of Trade that when the submission is filed

with this Commission it is to be understood that it is endorsed by the members of the council of the Halifax Board of Trade. That is all I wish to say upon that point, my lord.

2. The calling at Boston of the Lady boats, so called:

The steamers known as the Lady boats operated by Canadian National Steamships were built and put in commission for the purpose of establishing direct steamship connection between the ports of Halifax and Saint John, on the one hand, and Bermuda and the various islands of the West Indies, on the other, and in undertaking these services displaced, to a large extent, ships formerly operating between the Canadian Atlantic ports and Bermuda and the West Indies.

In the fall of 1930, the management of Canadian National Steamships determined upon the policy of making Boston the last port of call outward and the first port of call inward of the boats engaged in this service.

As soon as the Halifax Board of Trade learned of the proposed change, it vehemently protested against the innovation but was informed that its protest was too late as all arrangements had been made for the Boston calls during the season of 1930-1931 and that tickets to the value of thousands of dollars had been sold. We were assured, however, that if the Halifax Board of Trade continued to object to the Boston calls, the matter would be again taken up for consideration by Canadian National Steamships at the close of the 1930-1931 winter season. Apparently, however, that has not been done; at all events the Boston calls still continue.



For the information of the Royal Commission, we beg to attach hereto marked as Exhibits "A", "B", "C" and "D" respectively the following documents:

- (A) Report of the West India Committee of the Board of Trade re Boston call of Lady steamers, dated October 4th, 1930.
- (B) Memorandum submitted by Mr. A. Allen on behalf of the Canadian National Steamships to the Board of Trade, dated November 14th, 1930.
- (C) Report of special committee, dated November 17th, 1930.
- (D) Resolution of the Halifax Board of Trade, dated November 18th, 1930.

These documents, we think, clearly set out the many disadvantages of the Boston call, and also indicate that the only possible compensating advantage would be the increasing of the revenues of the Canadian National Steamships, but it seems reasonably clear that such increase of revenues, if created at all, would not be brought about by the development of new traffic but by diversion of revenues from the Canadian railways, the Canadian Atlantic ports and the railway owned or controlled hotels at these ports.

We regret that we have not at our disposal sufficient data with regard to revenues to submit at this time a correct comparative estimate, but the figures should be easily obtainable from the Canadian National Railways and the Canadian National Steamships.

In this connection it is deemed necessary to point out that since the establishment of Boston as a port of call for the Lady steamers, the Prince steamers, so called,

ordinarily operated by the Canadian National Railways on the Pacific, have been transferred to the Atlantic for winter cruise purposes and, incongruous as it may seem, Boston has been made the home port for these steamships owned by the Canadian people.

3. The use of Intercolonial rails and port facilities
by other railroads on a more equitable basis:

It is a matter of history that the Intercolonial railway was built as part of the confederation pact for the purpose of establishing direct communication between the Maritime provinces and the central provinces of Canada.

From the time of its construction until its absorption into the Canadian National Railway System in 1921 or 1922, it was operated as an independent railway, the then existing major railway systems of Canada competing on an equal basis for traffic originating on its lines and enjoying practically equal rights with regard to traffic originating outside but being furthered over Intercolonial rails.

Since the absorption of the Intercolonial by the Canadian National Railways, however, a new situation has arisen which we submit is detrimental to the interests of the maritime provinces.

In the result, Halifax is the only major Canadian port denied the privilege of the two transcontinental railway systems using the same terminals on terms of practical equality.

This necessarily creates a disability because of lack of competition and detracts very materially from the possible development of the port as well as working an injustice to shippers and receivers in the whole of

the province.

This is in direct contrast to the situation which exists in the United States where as many as fifteen Class A roads serve one port and enjoy equal privileges thereat.

The fact that rail entry into the port of Halifax must of necessity, under present conditions, be over rails now operated by one of the great transcontinental railway systems, under terms and conditions dictated by that system, prohibits the use of the Intercolonial railway line by the other transcontinental system except upon prohibitive terms. This has the effect of creating a practical monopoly for one road in respect of traffic moving in and out of Nova Scotia and is naturally detrimental to the shipping public and to the port of Halifax.

This applies not only to the movement of freight traffic but equally to express, mail and passenger traffic.

The advantages of having and the disadvantages of not having competitive railway services in Nova Scotia are so obvious that it seems necessary merely to state the facts.

The finding of the remedy for the existing situation is, on the other hand, a matter of some difficulty.

The question, however, is of such paramount importance that we respectfully submit it for the consideration of your Royal Commission, confident in the hope that full investigation will be made and a practical solution of the difficulty found.

It is not the intention of the Halifax Board of Trade to take any side in any controversy that may arise between the Canadian National Railways and the Canadian Pacific Railway Company, but it is the earnest desire of

the Board, representing as it does the commercial population of Halifax and to a large extent of the whole province, that the port of Halifax and the province of Nova Scotia be placed upon a parity with the other mainland provinces of Canada in enjoying the benefits of the competing services of the two great Canadian transportation systems.

If, in the final analysis, this can only be brought about by restoring to the Intercolonial railway its identity and integrity, then this Board would strongly favour such a consummation.

Under present conditions, the city of Halifax labours under all the disadvantages of being servied by a government-owned railway without enjoying the advantage which would necessarily accrue to having that government railway operated along the lines intended when it was originally constructed.

In this connection it should be pointed out that all the Intercolonial railway property in Halifax is, being government owned, exempt from taxation for all civic purposes.

The value of railway property exempt from taxation, not including trackage facilities operated by the Halifax Harbour Commissioners, is \$4,239,000 as shown by Exhibit "E" hereto attached.

I may say, my lord, that the exhibits are attached to an informal part of the submission.

4. Freight handling and charges at the port of Halifax:

The conditions which exist at this port with regard to the handling and interchange of traffic are largely brought about by the matters above adverted to relative to the operation of the Intercolonial railway as part of

the Canadian National Railway System.

The terminal facilities at Halifax consist of:

Ocean terminals, so called, in the south.

Richmond terminals at the Narrows, being the entrance to Bedford Basin, and

Deepwater terminals, approximately half way between the two.

The assembly and classification yards are situate at Rockingham about three miles from the centre of the city and about three-quarters of a mile from Richmond yards and terminals, and occupy about a mile of water-front at Bedford Basin.

The roundhouse, the machine shop and work shops are situate at Willow Park, approximately a mile and a quarter from the centre of Richmond yards and reached therefrom by the negotiating of a very steep grade.

As will be seen from the plan marked Exhibit "F" to this submission, there is no direct communication along the water-front from Deepwater terminals to Ocean terminals, a distance of approximately a mile.

Under existing conditions, to transfer freight from Deepwater to Ocean, or vice versa, entails a rail haul of 8.4 miles while the distance from Ocean terminals to Richmond is 6.6 miles, and from Ocean terminals to Fairview Junction (the southern limit of Rockingham Assembly yards) is a distance of 4.94 miles.

When the Ocean terminals were being planned, the idea of placing rails along the water-front from Deepwater to Ocean terminals was considered, but unfortunately was not put into effect. The laying of these rails

now would not only facilitate and cheapen the movement of freight, but would make possible the delivery of freight at commercial sidings along the water-front.

Owing to the distances between Ocean terminals, on the one hand, and Richmond and Deepwater, on the other, exceeding the four miles permitted for switching areas,-- As the Commission is doubtless aware, we have a four-mile area in which switching charges may not be exacted.

-- a switching charge is made by the Canadian National Railways against the Dominion Atlantic Railway, the only other railway using the port of Halifax, and this switching charge, authorized as it is by the Board of Railway Commissioners of Canada, prevents the two railways serving the port from enjoying port facilities on an equal basis.

By a comparatively recent order of the Board, the switching charge applies equally to all three terminals.

The rate charged on import and export traffic is one cent per one hundred pounds, subject to minimum of line carriers tariff, but in no case less than three dollars per car on 7th, 8th and 10th class traffic (Canadian classification) and a minimum of five dollars per car on all other traffic.

That is, a minimum of three dollars on certain specified classes -- 7th, 8th and 10th, for export and import, and a minimum of five dollars per car on all other export and import traffic.

The switching charge on local traffic is one and one-half cents per one hundred pounds with a straight minimum charge of five dollars per car.

While these charges are, to a certain extent, per-

mitted to be and are absorbed by the Dominion Atlantic Railway, their exaction prevents the port from being used on an equal basis by the two roads as the Canadian National, of course, pays no switching charge. And in the final analysis the switching charge while partially absorbed by the Dominion Atlantic Railway is reflected in the permitted tariffs of that road for non-competitive points and ultimately paid, partially at least, by the shipper.

COMMISSIONER LEMAN: Within the four-mile limit, does the Dominion Atlantic get free switching?

MR. C. B. SMITH: We have no four-mile limit here, sir. In Montreal, for instance -- Montreal, Toronto, Winnipeg -- there is an inter-switching area of four miles, the railways exchanging traffic doing so on an equal basis. We have not that here, and we cannot get it here, because our yards are eight miles long. Our switching area is over eight miles from deep water. Around by Richmond and the eastern shore of the Northwest Arm to the Ocean terminals includes an area greater than is permitted for a free switching area.

LORD ASHFIELD: It is a geographical difficulty.

MR. C. B. SMITH: It could easily be remedied, my lord, by continuing rails around the water-front from Deepwater to Ocean terminals, which is only a mile. Richmond then would be distant from Ocean not more than a mile and a half or two miles.

LORD ASHFIELD: Did you say you have a drawing or map which would indicate the situation?

MR. C. B. SMITH: Yes, a map showing the complete layout.

COMMISSIONER LOREE: What would be the cost of that

extension?

MR. C. B. SMITH: I could not tell you exactly, sir, but I could get that information for you, as well as the number of cars switched in a year.

COMMISSIONER LOREE: I mean the cost of building this new connecting line to bring it within the four-mile limit.

MR. C. B. SMITH: That is something I could not offer an opinion upon, because the question whether surface rails would merely be laid above the pavement for the purpose of transmitting freight traffic at night, or whether a complete line of railway would have to be laid down, is a matter on which I would not care to make any statement; it is an engineering problem.

To follow that up, my lord, I may say that under the regulations of the Board of Railway Commissioners, the Dominion Atlantic Railway is permitted to absorb one-half of the switching charge on import and export traffic, either destined for or originating at competitive points. With regard to local traffic it is permitted to absorb one-half cent per hundred pounds, or one-third of the rate.

Another matter of major importance to the port is the question of transfer of freight from and to the eastern side of Halifax harbour.

At the present time, freight transferred by the C.N.R. from Dartmouth and other points on the eastern side of the harbour must be conveyed to Windsor Junction, which is approximately 11 miles from Dartmouth, and then brought back to Halifax, a further distance of 17 miles.

In 1880 or therabouts a railway bridge was built

across the Narrows. (See Plan, Exhibit "F").

This was a wooden pile bridge and about 1890 was destroyed and has not since been replaced.

The Canadian National Railways now operate an eastern branch extending from Dartmouth about 42 miles along the eastern shore of Nova Scotia, and all traffic between this line and Halifax must under present conditions be conveyed via Windsor Junction as above indicated.

This Board is of the opinion that, in order that the port of Halifax may be developed to the fullest extent, the construction of a rail-bearing bridge between Halifax and the Dartmouth side is essential either immediately or in the not far distant future.

LORD ASHFIELD: Thank you very much, Mr. Smith. Are there any others who desire to make any submissions? If not, the meeting will be adjourned.

The Commission adjourned at 4.10 p.m.

The Commission resumed in the Executive Council Chamber, and representations were made by Mr. Walter A. Black and Mr. A. H. Whitman.

LORD ASHFIELD: I understand that there has been a wish expressed that certain submissions should be made when the Press were not present. Do you wish to proceed first, Mr. Black?

MR. WALTER A. BLACK: If you please, my lord. I may say that besides presenting my own views I represent certain business people of Halifax who rather agree with me and helped me to prepare this brief.

It is presumed that the scope of your investigation includes Canadian National Steamships, as well as railways on account of the large loss to Canada due to their operation.

Halifax was one of a very few places in the Dominion to oppose government operation of steamships, and this opposition has been well justified by results.

The Minister of Marine responsible for inauguration of Government operation stated, about the time the building of the Canadian Government Merchant Marine tonnage was completed, that the entire fleet could be disposed of at cost.

It would appear that a tremendous error was made at that time and has continued ever since. The cost to the people of Canada as given in the report of the select standing committee on Railways and Shipping of June 25th, 1931, page 277, is acknowledged to be to that date over \$1,000,000, excluding any interest the Government gave up.

It is impossible to arrive at a correct estimate of the losses of the Canadian National Steamships from the

annual reports -- the reports of the select standing committee on railways and shipping of 1931 shows this.

Page 279 -- Sir Henry Thornton admits a loss of \$100,000,000. Incidentally on pages 287 and 288, Sir Henry Thornton attributes some of the loss on the West Indies service to the competition of the Aluminum Line, and says they fill their vessels with such freight as they can get at any price at all. This is absolutely incorrect -- the Ocean Dominion (Aluminum Line) has maintained the same freight rates as the Canadian National for several years.

These are the admitted losses, but do they tell the whole story?

Possibly it might interest the Commission to make some inquiry into items properly chargeable against the Steamships which have been charged against the Railway.

For instance, when the Halifax Harbour Commission took over the docks in Halifax from the railway, it was provided that the Canadian National Steamships should have certain free privileges not granted to other steamship lines.

Notwithstanding the large amount for advertising charged to the West Indies service in the last account, has not the railway absorbed a substantial amount properly chargeable to steamships?

Are the steamships charged anything for their advertisement which appears on the menus in the diners of the railway, and in every timetable of the railway?

It is not the custom of private steamship companies operating a passenger service in ocean trade to grant free passes, and seldom do they even give a reduction in rate.

It might interest the Commission to inquire into the number of free passes and also the number of reduced

rates granted to First Class passengers on the Lady boats since they commenced operating.

In addition to this, some of the privileges which the Canadian National Steamships have which private companies do not, are free telegrams, free transportation for travelling representatives, exemption from taxation.

The first annual report states:

"That the steamers built by the Canadian Government were intended primarily to cooperate with British shipping in supplying the necessities of war, and in times of peace to provide the means of carrying abroad the product of Canada's farms, forests, mines and factories, without which Canada could not hope to take full advantage of the opportunity of expanding her export trade".

The result of the first year's operations was a profit of, in round figures, \$1,400,000. This was one of the years of the greatest prosperity in shipping the world has ever known.

If the fleet had been operated by a private concern, the profits would have been enormously increased; the vessels were kept in the Canadian trade, but carrying products in many instances at lower rates than the rates quoted by outside tonnage. This was no doubt the reason why no complaint was heard from manufacturers, exporters and importers in interior parts of Canada regarding Government operation of steamships.

The first annual report states:

"That regular sailings have been established to London, Liverpool and Glasgow; to South America, calling at Pernambuco, Bahia, Rio de Janeiro and Buenos Ayres, and to the West Indies, calling at Havana, Kingston, Trinidad,

Barbados and Demerara, etc."

"Further trade routes are being established, including regular sailings to Australia and New Zealand, and additional services are in contemplation."

Can you explain what cooperation is made with British shipping which already had services established from Canada to practically all the above ports?

What has been the result? British owned steamers were driven off the Canadian routes in some instances; in others the established lines were powerful enough to drive the C.N.S. off their routes.

The second annual report states:

"That new services have been established from Vancouver to Australia and New Zealand, and from Atlantic ports to British India and Straits Settlements."

"Regular cargo services are now established to Australia and New Zealand, to British India and Straits Settlements, to the West Indies, to Newfoundland and South America."

The third annual report says:

"In addition to the services inaugurated during 1919 and 1920, new services have also been provided during the past year, as follows:

"From Atlantic ports to Australia.

"From Pacific ports to China, Japan and India and the Pacific coastal service to California."

The turn of the tide with regard to new services started with the fourth annual report.

Looking back over the annual reports, various excuses for losses are given. For instance, the following is an extract from the fourth annual report:

"The loss in operation of your fleet during the year (i.e. 1922) owing to adverse conditions in the steamship business was to be anticipated. It is admitted by the best authorities that the past year was the worst in recent shipping annals. With the experience of the years 1921 and 1922, it is difficult to be optimistic as to the future, yet present indications are that in several trades conditions are improving, and we have reason to anticipate a gradual return to better conditions in the near future."

Freight rates are no better, and in most cases lower now -- nine years later -- than they were then.

Another extract as follows:

"The operations of the company, while showing a loss during 1922, have proved to be a decided advantage to the Canadian National Railways. Shipments turned over to the railway for the eleven months ending November amounted to 172,577 tons, to which should be added 36,949 tons of import freight handled over the Government dock at Vancouver from December 1st, 1921, to November 1st, 1922."

We dispute the advantage to the Canadian National Railways, our opinion being that the cargo carried by the Canadian National steamships would have come forward in any case by private lines, and even if the Canadian National Railways had not secured the rail haul of all this cargo, they would have been more than compensated by other cargo carried by private companies, who would naturally divert any cargo they could from a railway operating steamers in competition with them.

At the inception of the Canadian National Steamships, the difficulty of operating a fleet, which at the end of

the first year consisted of 19 steamers, at the end of the second year 44 steamers, the third year 66 steamers of 380,000 tons D.W., can probably be only properly appreciated by one familiar with steamship operation.

It is seldom, if ever, you can find a steamship manager familiar with more than a limited number of trades. For instance, a steamship manager familiar with trans-Atlantic business and customs would be at sea if transferred without previous experience to South America or West India trade.

You can imagine then what it would be to build up a staff to operate these services. In many cases men were transferred from railway positions to steamship positions. One port manager thus transferred remarked that he had learned the "railway game" and did not see why he could not learn the steamship game. Well, no doubt he could, but experienced steamship men will tell you that it takes years to learn the steamship business; in fact, a lifetime experience will still leave something new to learn.

There has been no policy propounded, ships are run here, there and everywhere, whether economically feasible or not; they are a menace to the transportation interests of Canada, driving competitors off routes, and then finding the business unprofitable, abandoning the service.

To show the vagaries of operation, the following is taken from their annual reports:

Atlantic South America

1st report	3 sailings
2nd "	8 "
3rd "	9 "
4th, 5th, 6th, 7th, 8th, 9th reports	No "
10th report	4 "
11th "	11 "
12th "	12 "

This service is being abandoned this year.

Atlantic to U.K.

Varies from 93 to 34 sailings, finally dropped 12th report.

Atlantic to Newfoundland

Varies from 22 to 7, finally dropped in 11th report.

Atlantic to Australia and New Zealand

Service still operating, having driven New Zealand

Shipping Company (British) practically out of the service.

Pacific to Australia

Varies in 3rd, 4th, 5th and 6th annual reports from
16 to 5 sailings; dropped after that.

Pacific to India

2 sailings each in 3rd and 4th reports

1 sailing each in 5th and 6th reports.

Pacific to Orient

Varies from 16 to 5 sailings in 3rd, 4th, 5th,
6th and 7th reports; then dropped.

Pacific to U.K.

Varies from 22 to 10 sailings in 6th, 7th, 8th and
9th reports; then dropped.

Pacific to Coastal

Vancouver and Victoria to California varies from 57 to
20 sailings; finally abandoned in last report.

In the report of the select standing committee on
railways and shipping, Sir Henry Thornton and Mr. Teakle
state that it is impossible to operate the Canadian National
Steamships on account of the steamers being obsolete.

Practically the whole of the fleet is shown in
Lloyd's register as being built in 1920 and 1921.

For comparison, say the fleet averages 12 years old.

The average age of a few of the fleets known in
Canada are as follows:

Cunard Line	13 years
White Star Line	19 "
Manchester Liners	14½ "
Houston Line	14 "
United Fruit	20 "
Bristol City Line	17 "
County Line	15½ "

Although the Canadian National Steamships is supposedly free of political influence, as a matter of fact it is not. Officers on the steamships will confirm this regarding positions on the steamers -- just previous to last Dominion election, contracts extending over one and two years were made with supporters of the late Government.

We understand the management did not wish to put on the service which was lately inaugurated to Havana, but was asked to do so by the Department of Trade and Commerce.

The publicity department of the Steamships calls this a new service to develop Canadian trade, probably having forgotten they tried this service some years ago and found it most unprofitable. It might be added that this same steamer brought a return cargo of sugar from Cuba to an American port at 10½ cents per 100 pounds, a lower rate than competing steamers were quoting, and an unprofitable rate in any case. Is this developing Canadian trade?

The steamers on the Australian and New Zealand services in many instances bring back cargoes to United States ports. Any other steamship line would probably do the same, but would not advertise themselves as developing Canadian trade.

The West India steamers were built and put in operation to fulfil the West India trade agreement, the object being to provide a direct steamship service from Canada to the West Indies.

Last year the management arranged for these steamers

to call at Boston to embark and disembark passengers. This seems a very strange way of developing Canadian trade.

Not only that, but it diverts the bulk of the passenger trade from the Canadian National Railway.

It might be said in passing, that when the West India service was operated by a private company under subsidy, the privilege of calling at an American port, although asked for several times, was consistently refused.

It will possibly be remembered that one of the reasons or excuses given for building the Nova Scotian hotel was to take care of the large passenger travel that would develop by the Lady boats to the West Indies.

In speaking of the West Indies trade agreement, which Halifax was opposed to at the time on account of having not a single practical representative on the Canadian side of the commission, the representatives of the Canadian Government Merchant Marine were present at the conference, but representatives of the Royal Mail Steam Packet Company, who were then operating the service under subsidy, were refused permission to be present.

The Lady boats of the West Indies services were delivered at the end of 1928; additional first class passenger accommodation was added in 1930.

Is the additional accommodation used more than possibly two or three months in the year?

In addition to owning and operating steamers, the Canadian National Steamships have also, to a limited extent, taken on agencies of other lines, this in direct competition with private interests.

Numerous other cases could be cited of interference by the Canadian National Steamships with private enterprise,

while a waterway exists to places between which a railway runs there is sure to be water borne competition, but it does seem an extraordinary condition of affairs that the Government should run steamers not only in competition with private enterprise but with their own railway. They, however, did more than this last fall -- private lines were charging 20 cents per hundred pounds on flour from Montreal to Halifax, but the Canadian National Steamships brought forward a quantity at 15 cents per hundred pounds.

The advantages derived by a few people in the way of supplies, repairing, and in some cases lower freight rates, are infinitesimal, as compared with the enormous losses which have to be borne by the taxpayers of the country as a whole.

I may say that in Halifax you may have some people who are in support of the Canadian National Steamships, on account of the large amount of supplies, repairs, and that sort of thing, but the people of Canada as a whole have to pay for it.

Might I call your attention to the criticism of the last three annual reports of the Canadian National Steamships which appeared in "Fairplay", Great Britain's leading shipping journal. To the best of my knowledge these articles are original and not inspired by steamship or other interests opposed to Government operation.

You, my lord, are no doubt familiar with this shipping journal, "Fairplay," and I do not think you could induce the editor of that publication to accept anything but what he thought for himself -- could you, my lord?

LORD ASHFIELD: I am sure you could not.

MR. BLACK: There is no doubt that where there is trade from Canada, it will be taken care of by privately

owned shipping companies. Where there is only a small trade in which there are possibilities of development, a subsidy might be required at the beginning.

Might the attention of the Commission be called to a paper read before the annual meeting of the Canadian Chamber of Commerce at Toronto, October, 1930, by Colonel Gear, one of the most experienced steamship men in Canada. He concludes as follows:

"For the foregoing reasons I submit the Government ownership and operation of a mercantile fleet is a detriment to the country; it involves the Government in very heavy financial loss, it increases taxation, it prevents individual initiative, and for these and other reasons already mentioned, I believe the Canadian Government would be well advised to dispose of the balance of their vessels as Australia and Britain have done, and the United States are now gradually doing."

I may say that Colonel Gear was at one time manager of the Robert Reford Company. The copies of "Fairplay" referred to, and also Colonel Gear's statement, are attached.

(Page 1160 follows)

LORD ASHFIELD: Mr. Whitman, have you any representations to make to the Commission?

MR. A. H. WHITMAN: Yes, my Lord. Mine are very brief. As drafted by me they give possibly a little broader viewpoint than might be said to come from Mr. Black, in view of the fact that he is a shipping man.

LORD ASHFIELD: Are you speaking in the same sense as Mr. Black?

MR. WHITMAN: On the same subject, but from the point of view of a man outside of any shipping interest, otherwise than being the head of a company that is a large shipper.

LORD ASHFIELD: Not being in the shipping interest with Mr. Black?

MR. WHITMAN: I am not interested in the handling of any steamers. I want to express my own opinion, the opinion, I would say, of the majority -- at one time I thought of all-of those similar to myself who have been in the export trade in Halifax for a great many years and their forefathers before them. I think I am also speaking for the same representative men in Saint John, New Brunswick. At the time the West India Treaty was dealt with I headed the committee that went to Ottawa and made representations to the Honourable Mr. Malcolm before the Treaty was put through.

This is my submission, Mr. Chairman:

Enclosed please find copy of the report of the West India Committee of the Halifax Board of Trade, dated October, 1925, covering the then proposed West India Treaty, also a page of the Halifax Herald of November 3, 1925, containing a copy of a letter of mine published in

the Montreal Gazette in reference to said Treaty, with a condemnation of the further exploitations of government ownership and operation of steamers. Subsequently, in the face of strenuous opposition on the part of both the Saint John and Halifax Board of Trade Committees, the West India Treaty was put into effect, so that today the West India Treaty services cannot be done away with.

My object in filing with you the Halifax Committee's findings regarding the West India Treaty is to supply you with some of the background of the opposition by Maritime foreign traders and shipping concerns to government ownership and operation of steamships for commercial purposes. The disastrous financial results of the West India Treaty are probably worse than were predicted. I am of the opinion that the same groups of prominent merchants in St. John and Halifax that opposed government ownership and operation of steamers in 1925 continue of the same opinion -- I would say to even a greater extent.

I have to admit that in my opinion 75 per cent or more of the voting public, unless steps were taken to educate them of the danger of their action, would vote for the continuance by the Canadian National Railways management of the scattering of white elephants on both sea and land. In view, however, that at last the C.N.R. President has agreed that the Canadian Government Merchant Marine should be wound up as quickly as possible, there is some hope that Canada will soon see the end of government ownership and operation of steamers, otherwise than those services that cannot be abandoned owing to the West India Treaty.

LORD ASHFIELD: Does anybody else wish to make any submissions?

MR. SAUNDERS(Secretary of the Board of Trade): No, my Lord, not that I know of.

The Commission adjourned at 4.35 p.m.

Page 1200 follows.

ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Province Building, St. John, N.B., on Tuesday, January 12, 1932.

PRESENT:

RIGHT HON. LORD ASHFIELD, Acting Chairman

BEAUDRY LEMAN, Esq.

Commissioners

WALTER CHARLES MURRAY, Esq.)

JOHN CLARENCE WEBSTER, Esq.)

JOHN CLARENCE WEBSTER, Esq.)

JOHN CLARENCE WEBSTER, Esq.)

ARTHUR MOXON, ESQ., R.C.S., Secretary

Executive Council

Hon. C. D. Richards, K.C., Premier and Attorney General

Hon. L. P. D. Tilley, K.C., Minister of Lands and Mines

Hon. Antoine J. Leger, Provincial Secretary-Treasurer

Hon. David A. Stewart, Minister of Public Works

Hon. Lewis Smith, Minister of Agriculture

Hon. Henry I. Taylor, M.D., Minister of Health and
Labour

Hon. W. H. Harrison, K.C., President of Executive
Council

Hon. E. A. Reilly, K.C., Minister without Portfolio

Province Building , St. John,
Tuesday, January 12, 1932.

The Commission met at 10 a.m.

LORD ASHFIELD: May I first of all, on behalf of our Chairman, Mr. Justice Duff, and Sir Joseph Flavelle, convey to you and to the members of your Government their sincere regret at their inability to be present this morning. Our Chairman is, on doctor's orders, prevented from travelling, and as you know, Lady Flavelle is not well and Sir Joseph is unable to leave his home.

HON. C. D. RICHARDS, Premier and Attorney General: My lord and gentlemen of this Commission, I may say that I had understood from the press, and in fact by personal letter from Sir Joseph Flavelle, that the Chairman and Sir Joseph were not to be here. We regret very much, as I know you do, that they are unable to be present with you. Speaking for the Province we extend to you a cordial welcome.

We are not definitely informed as to the exact points upon which you may wish to confer with us, but we are in a measure prepared to consider any matters you may desire to discuss.

LORD ASHFIELD: We have no definite programme in our minds, Mr. Premier. We are seeking information in every possible direction, and we shall be very grateful if you or any of your ministers can give us assistance in connection with the task that has been entrusted to us. If there are any special points you have in mind that you would wish to deal with, we shall be glad to have you state them.

HON. MR. RICHARDS: Were there any particular

features of the problem as it has been presented to you, my lord, to which you would care to direct our attention?

LORD ASHFIELD: I do not think so -- not at this moment, Mr. Premier.

HON. MR. RICHARDS: It is obvious, of course, that the Government is not in a position to present matters before this Commission from any technical or expert point of view. We understand that yesterday in Halifax representations were placed before you on behalf of the Transportation Commission of the Maritime Board of Trade, which in large measure probably express the views of the transportation interests of these provinces. You will have presented to you while you are here a further representation by the President of the Transportation Commission of the Maritime Board of Trade, Mr. Patterson, who will deal with what he calls the historical background of the transportation problem in the maritime provinces. I have been furnished with a copy of that memorandum for the use of the provincial Government, and have had the opportunity of reading it. Then you will also have presented to you in this city a brief on behalf of the Board of Trade of the City of St. John, the largest trade organization in the province of New Brunswick. It is natural that it should be so, representing as it does the commercial metropolis of this province; it is an organization which has taken a very active interest in trade matters and includes in its membership men who are experts in dealing with these problems. So that all these features will be presented to you by men who are skilled in transportation questions. We have not in our Government or in our Government service any such experts, and all that we can

say to you will be more of a general character, and as the problem presents itself to us in a broad way.

LORD ASHFIELD: Quite so.

HON. MR. RICHARDS: I understand that the session here is in camera, and therefore we can speak very frankly; and of course in expressing the views of the Government we are not making any announcement of policy or anything of that character.

I suppose it is the purpose of your Commission to endeavour to find some means of alleviating the heavy burden resting upon the country in respect of our railways, and you are no doubt wondering whether there is any light we can throw upon the subject down here. Frankly I do not know what there may be. If any way is to be found of alleviating that burden, it would seem natural that it would be found in economies, or perhaps in reduction of service. Everybody who has followed the development of transportation facilities in Canada must appreciate -- at least we are beginning to appreciate it -- that we have a tremendous railway mileage having regard to our population, and how we are to meet all that is involved in that condition is a problem that I suppose you will have to solve.

LORD ASHFIELD: Try to solve.

HON. MR. RICHARDS: Yes. That leads, of course, to a consideration of one of the features I know you have been dealing with, namely the question of duplication of railway mileage and railway service.

LORD ASHFIELD: And branch lines, of course.

HON. MR. RICHARDS: I suppose that is one of the big features in your problem. We have thought somewhat of that in its relation to the situation in this province.

I think every member of this Government is quite familiar with the railway organizations and the actual railway locations and services in New Brunswick, and whether or not it is a matter of encouragement I am bound to say to you, my lord and gentlemen of this Commission, that it is our strong feeling that in this province there is very little, if any, real duplication of railway mileage or service at the present time. There is an exception, perhaps, of which I will speak in a moment; but that is our considered view. I have no doubt you have examined the location of the railways in New Brunswick as part of your investigation, and it seems to me rather obvious that as far as that feature is concerned, it cannot be said that we have, either in mileage or in service, a surplus. If any question should arise as to particulars in that respect, I shall be glad to discuss them in detail. Looking at the situation as it exists in some other portions of Canada -- and I do not want to make any invidious comparisons -- we do know that there is duplication of mileage and of service.

COMMISSIONER WEBSTER: Are you referring to duplication of Canadian National and Canadian Pacific parallel lines?

HON. MR. RICHARDS: Parallelizing services, yes.

COMMISSIONER WEBSTER: When you spoke of duplication first, did you have that in mind?

HON. MR. RICHARDS: Yes, partly, and then not the same lines but with the Canadian Pacific and the Canadian National generally. We know of what is commonly spoken of in that respect in other portions of Canada.

Now, I said there was one possible exception in that respect, and that may be the Transcontinental through

the central part of the province, with the Valley railway through portions of the St. John valley, or at least from Grand Falls to St. John. You know, of course, the location of what is commonly called the Valley railway, which, as has often been said, begins nowhere and ends nowhere. It was first built from Fredericton to Woodstock, and ended in a plowed field thirty miles north of Woodstock, connecting with the Canadian Pacific at Westfield, sixteen miles up the river. Before the Transcontinental was built from Grand Falls to Moncton there was the existing Canadian Pacific line which from the point of view of through traffic may be looked upon as a duplication from that point, but so far as the local layout is concerned it is not a duplication because the lines pass through different territories. The St. John and Quebec railway, or, as it is commonly called, the Valley railway, is not a duplication, because there are no other lines directly giving the local service which that line gives; and that is all it is giving to-day -- a local service. There are those who have felt, and still feel, that one of the greatest blunders that was ever perpetrated was the building of the Transcontinental through the province -- and I am not speaking in any political sense at all; I am looking at it from the purely economic and business point of view -- the building of that line across Canada, having regard to the then existing business and economic conditions, constituting a parallel line across the whole country -- it is the most glaring case of duplication, I think, that could be indicated. It might have been justifiable if there were sufficient business to maintain it, but even to-day we know there is not sufficient

business. That is why this Commission was appointed, and it has occurred to some of us that there is one of the difficult problems. They went across to Halifax, across to Moncton -- I am not going to enter into the reasons for that; but the line is there. What should be done with it we do not know, but that may be looked upon in a sense as a duplication, -- only to the extent, however, to which it affects the through traffic, and not in any local sense at all, because it serves an entirely different country. From a local point of view I do not think originally it would ever have been built; certainly the standard would never have been built as it is to-day for local traffic.

COMMISSIONER WEBSTER: We have been trying to get information on that matter, and it seems difficult. Could you give us an idea of the traffic on the Transcontinental, what you think it is worth, what it amounts to?

HON. MR. RICHARDS: Of course I cannot give it in train miles; I have not any figures on that.

COMMISSIONER WEBSTER: What kind of traffic is it?

HON. MR. RICHARDS: I can give you the character of the traffic.

COMMISSIONER WEBSTER: In a cloocal sense.

LORD ASHFIELD: The value to the community furnished by the railroad -- I think that is what Dr. Webster has in mind.

HON. MR. RICHARDS: From Grand Falls into Moncton, as you know, Dr. Webster, it passes through forest nearly the whole way. A few little communities have grown up at the stations that have been located, but the local traffic is mostly timber; that is so by the very necessity of things. It touches Plaster Rock, which is quite a commun-

ity and a large potato growing section. Juniper is the location of a timber company, and Napadogan is another. Then the line crosses the Canada Eastern at McGivney, and there is nothing much there; then you come further along and at Landers, Bantalar, Alward, Pangburn and so on there are milling industries or lumber shipments. I think as a matter of fact instead of putting the line through there it should have come down in another direction, but there it is.

COMMISSIONER WEBSTER: What is your opinion of the old Gibson railway?

HON. MR. RICHARDS: To tell you my opinion of that would not sound very good.

COMMISSIONER WEBSTER: This is pretty much the same kind of territory?

HON. MR. RICHARDS: Oh no.

COMMISSIONER WEBSTER: Are there settlements?

HON. MR. RICHARDS: That is settled all the way, with the exception of what you would call the height of land between these two watersheds. The Plaster Rock and Tobique district is a fine potato growing section. There is the Tobique Valley railway operated by the Canadian Pacific coming in at Perth and running up as far as Plaster Rock.

COMMISSIONER WEBSTER: So that there would be no detriment to these people if this other line were shut off; they have the Tobique railway?

HON. MR. RICHARDS: They have that line, of course. A large timber industry has developed at Juniper in consequence of this railway. There is another at Napadogan -- not operating to-day, because of the curtailment in the

timber industry; there is another at Maple Grove, another at Bantalar, and another at Landers.

COMMISSIONER WEBSTER: Some reference was made in Halifax yesterday to the use of trucks in the carrying of pulpwood and lumber, and the possibility of substituting that service for railway service. What would you say as to that; are there roads developed up in that section?

HON. MR. RICHARDS: No. The road touches at Juniper, and there is a road touching at Napadogan. There are no roads anywhere east of that.

COMMISSIONER WEBSTER: Mr. Stewart would like the job of building some new roads, wouldn't he?

HON. MR. RICHARDS: Yes, under present conditions; it would be very interesting at least. But there are no roads within available distances of the territory served by that railway. Possibly the timber industry in that district would have been developed in some other way had the railways not gone in there, but to-day it is organized with a view of reaching the railway, that is all.

LORD ASHFIELD: Was it a railway built for development purposes?

HON. MR. RICHARDS: It was built not for local development at all but rather as part of a transcontinental scheme. Outside of that, as I have said, I think an examination of the province will support the position we take that there is no duplication. In fact I think that is the feeling of the railway authorities themselves as far as the two lines are concerned.

Now, our facilities in New Brunswick have been reduced to an almost irreducible minimum when it comes to actual services. On many lines there are only tri-weekly

trains. You will recall that when the question arose about this meeting with your Commission, it was first suggested that we should meet at Fredericton, and I had to advise you that because we had no Sunday train service it was impossible to get to Fredericton before Monday evening. There is no Sunday train service in New Brunswick except on the main line of the Canadian Pacific or the main line of what we call the Intercolonial. Many stations have been eliminated. Neither the Canadian National nor the Canadian Pacific has lately been spending money lavishly in setting up hotels in this province. I do not want to say anything against my sister province; let them have all they are entitled to, but we have noticed recently two fine hotels in the city of Halifax, one sponsored by the Canadian Pacific and the other by the Canadian National. Everybody knows that it is the result of senseless and needless competition, despite the rather strong efforts which have been made in New Brunswick to have something the same -- I will grant that; because we have all been trying to get all we can, and that has tended to bring the situation about. We have not succeeded --

LORD ASHFIELD: There is a little regret, perhaps.

HON. MR. RICHARDS: Well, we feel there is very little that we should forego, at any rate at present.

HON. MR. HARRISON: We succeeded in bringing about a bit of cooperation between the Canadian National and the Canadian Pacific in our hotel situation right here in St. John. They have cooperated in connection with the Admiral Peatty hotel, and have been doing a large part of the financing jointly.

HON. MR. RICHARDS: As one looks over the situation in New Brunswick, while we appreciate generally the problem

that arises out of the duplication of railway mileage and service, we feel we may reasonably claim that that condition does not exist in this province.

I have referred to the memoranda that the other organizations are presenting. I have read the memorandum which Mr. Patterson will submit to you, dealing with the historical background -- as a matter of fact it deals with more than that. I have referred to the presentation made by Mr. Smith of the Transportation Commission of the Maritime Board of Trade. It has seemed to me and to the members of this Government, although we cannot speak as experts, that in those representations lies one of the fundamental factors in the whole problem. As I understand it, they are urging the recognition and development of what may be a trite way of putting it, but surely it means something -- a Canadian transportation policy, east to west system. We quite appreciate the necessity of international trade between Canada and the United States, but we do feel that our first obligation is the development of our own trade and the building up of our own country. That can be done only by seeing that the very extensive railway systems that we have get every bit of Canadian traffic that is reasonably possible, for the purpose of business for the railways, business for our own people, and business for our Canadian ports. Speaking generally we can endorse the underlying principle of the presentation which has already been made in that respect -- I am not speaking as to the details, but as to the general idea of the submission.

As I have indicated, Mr. Patterson will deal with the matter from an historical point of view, and also to some extent from the economic and business point of view.

It will be pointed out also that one of the important factors taken into consideration in bringing about the confederation was the matter of transportation and the undertaking that Canadian trade should be transported through Canadian ports -- Montreal, Quebec, Halifax, St. John. That was sound then, and it is sound to-day. With that general principle also -- I am not speaking as to details -- we agree; we believe the memorandum as it will be submitted to you is correct in its general outline. So far as New Brunswick is concerned we also feel that if that principle is applied, it means the routing of traffic, so far as it can be done, so that it will reach the port of St. John. The St. John Board of Trade, I am told, will submit a memorandum suggesting a development of the routing of traffic via the Transcontinental from Grand Falls to McGivney, McGivney to Fredericton, and Fredericton to St. John via the Valley railway and the Canadian Pacific.

HON. MR. HARRISON: Because, Mr. Premier, of the decrease in mileage.

HON. MR. RICHARDS: Yes -- I am just giving that first; that is the location.

COMMISSIONER WEBSTER: You would recommend that as a transcontinental route?

HON. MR. RICHARDS: As a transcontinental route.

COMMISSIONER WEBSTER: Why come down to McGivney Junction? Why not carry it right down the St. John river?

HON. MR. RICHARDS: The Valley railway does not go to Grand Falls, although originally it was intended to do so. If it went to Grand Falls, then that would be the natural selection. Many of us have felt that that was a

proper location for the Transcontinental, if it were needed at all; then it would have obviated the building of the Valley railway. However, it is not there, and from Grand Falls to the northern terminus of the Valley railway there is a gap of about forty miles.

COMMISSIONER WEBSTER: Isn't that gap bridged now by the Canadian Pacific?

HON. MR. RICHARDS: By the Canadian Pacific down to Woodstock, but the route is shorter through to McGivney, McGivney to Fredericton, and then down the valley to Westfield and St. John. That is really the shortest route to-day from Grand Falls to the port of St. John -- we are speaking of freight traffic. As I think I have already indicated, we do not want to take from Nova Scotia or from any other section anything to which they are entitled, but nature has put St. John in that location, making it a natural port for winter traffic. The mileage coming through from McGivney to St. John is 168 miles shorter than to Halifax, and via Moncton and then to St. John it is about 100 miles shorter than to Halifax, but of course there are higher grades there. To be fair with the Commission, I may add that at the present time the particular section from McGivney to Fredericton is not up to the standard of a transcontinental railway. The bridge at Fredericton some day will have to be rebuilt; as it is it cannot carry heavy engines. But I noticed that Mr. Smith said yesterday that some times it is necessary and advisable to incur capital expenditure in order to save in maintenance, and we feel that because of the advantages offered by St. John it is a port which should be utilized.

Then of course there are problems of cooperation

and coordination between the two railways, say from St. John to Westfield through interchange of traffic, and so on. I shall not go into that, nor shall I elaborate the general situation, because, as I say, the whole matter will be presented in a statement to be submitted to you later in this city.

There are possibly one or two other minor matters. We have felt that in the maritime provinces our importance here as a unit is sufficient to justify representation upon the executive board of the Canadian National Railways by a maritime director, who would have a voice in the direction of the policy of the road. We have a member in New Brunswick and a member in Nova Scotia on the board of directors of the Canadian National Railways -- in this province Mr. Palmer, who is here, and whom I hope to have the privilege of introducing to this Commission before you leave. But we feel that as a unit the maritime provinces might very well be considered as entitled to representation on the executive board. Neither have the maritime provinces representation on the Canadian Freight Association. You are not dealing with freight rates, of course, and I mention that only en passant. We feel that rates are sometimes fixed without taking into consideration the interests of the maritime provinces. So far as maritime representation on the executive board of the Canadian National is concerned, that is perhaps a matter of internal economy on the part of the Canadian National itself; at any rate I mention it.

Now, my lord, I think I have said all that I need to say. Perhaps there are some questions you would wish

to ask on the points that have been mentioned.

LORD ASHFIELD: Referring, Mr. Richards, to the hotel situation, not in your province, I think you used the phrase, reckless competition.

HON. MR. RICHARDS: I do not know whether it is an apt phrase or not.

LORD ASHFIELD: Well, we have heard it many times. Certainly that is an aspect of the problem that must engage the very serious attention of the Commission. Here we have two great systems, and they have been working on a competitive basis. I was wondering whether you would feel free to elaborate the principle that is involved in the situation -- whether you see prospects of improving the financial position of these undertakings as a whole, treating them collectively, or whether you think some different system should be adopted or some different method employed.

HON. MR. RICHARDS: I assume what you mean, my lord, is this: whether instead of a continuation of the existing separate entities, some other system of organization should be brought about which would mean a grouping or possibly a coordination of the two into one organization. Frankly I must say I have not given sufficient thought to the matter to be able to present a considered view. Personally I would be reluctant to see one large organization -- that is my own view at the present time. That may be because we have grown up with the one big organization -- a wonderful organization, as we feel -- the other having developed. I am giving now my own personal view and not speaking for the Government; it is not a thing the Government has considered, but if it were possible at all I should prefer to see a continuation of the separate entities, with some coordina-

tion in operation rather than a loss of identiy in either case.

LORD ASHFIELD: It may perhaps be truthfully said that the present arrangement does prevent the public from having a real appreciation and a full understanding of the consequences of the vast expenditures which have been made upon railway transport; that the effects of the expenditure are more or less buried and the public are not kept alive to them from time to time. That is a statement that has been made; I do not know whether it is wholly true, but I wondered whether you had any views on that -- whether it would be advisable to provide for a segregation of these amounts, or to bring them more directly to bear upon the budget of the provinces or the Dominion.

HON. MR. RICHARDS: No, I must confess I have not given much thought to that phase of the problem.

LORD ASHFIELD: Does road transport present a problem to the Government in this province? Is there severe competition between roads and rail? Is there any attempt on the part of the Government to control the road transport, and if so, on what basis?

HON. MR. RICHARDS: Mr. Stewart, Minister of Public Works, can tell us something about that.

HON. DAVID A. STEWART (Minister of Public Works): It is a small thing as we know it in this province. Have you in mind the thought that the license fee should be raised or some extra tax put on the public carrier?

LORD ASHFIELD: We speak without any real knowledge of the position. We are only seeking information as to how you do control it.

HON. MR. STEWART: It has been suggested that we are

permitting the heavy trucks and buses to operate at altogether too low a cost, and that we should be charging more. Well, suppose you double the rates; in many cases our trucks and buses are carrying stuff cheaper than the railway will take it. It does seem to me there is something wrong with the tariff on some of these things; their charges for less than carload lots are too high. I have in mind one particular case, relating to the branch from Campbellton to St. Leonard's. We tried our best to make arrangements with the officials in Moncton for the carrying of gasoline -- the shipments would amount to about thirty barrels a week -- but they would not give us a rate that would come within a good many dollars of what it could be carried for by truck. It did not suit us to take it on the basis of the carload rate, because the gasoline had to be distributed in two or three places, and they would not give us a stop. I tried to reason it out with them at Moncton; I did not want to run a heavy truck through to do that business, but they would not listen to it. Even if we doubled the rates I do not think it would have very much effect. The railways will have to adjust their tariff before they can expect to get back from the motor carriers the business they have lost through motor competition.

COMMISSIONER LEMAN: Adjust it downwards?

HON. MR. STEWART: Adjust it downwards, yes, -- reduce the cost of handling it.

COMMISSIONER LEMAN: They will not get additional revenue from that source, then.

HON. MR. STEWART: I think they can if they accommodate themselves to the general public -- that is my opinion. Just recently we had a meeting before a commission in

Moncton, at which one of the commissioners admitted himself that in the final analysis they wanted us to pay \$8,400 for freight that they did not carry, brought about through their tariff. This was on a branch line; the cars had a capacity of 160,000 pounds, but they told us that on account of the bridges not being sufficiently strong and the roadbed not being in a condition to carry the maximum load, we would be restricted to 115,000 pounds; yet they wanted us to pay ninety per cent of the capacity of the car.

HON. MR. TILLEY: I may say that one of the main lines that carries freight runs between St. John and Fredericton, a distance of sixty-four or sixty-five miles, is it not, Mr. Stewart?

HON. MR. STEWART: About sixty-seven. These trucks do nothing else but carry merchandise, all sorts of small package goods, but very largely fruit. In this respect they enter into competition with the Canadian Pacific going into Fredericton as well as with the Canadian National from St. John to Fredericton along the Valley route. Then you have passenger buses running to St. Stephen, to St. Andrews, to Westfield and out to Rothesay and Chipman -- all over the province, carrying passengers at competitive rates with the railway. I have noticed that their rates are about the same as the railway rates. Furthermore, when a man can board a bus and leave for a certain point more or less when he feels like it, he is going to take the bus. So far as suburban routes are concerned, of course nearly every man owns his own automobile now, but in the summer time the summer residents of St. John who do not go in and out in their own cars use the bus. For years I had travelled over the Canadian National every day from Rothesay, nine miles out

of St. John, but for the past four years I do not think I have been on the train at all. A bus runs out there every forty minutes, so that it must be in competition with the railways. But the point is: can you say to these people, "You must stop your buses, stop your passenger traffic"?

LORD ASHFIELD: Perhaps you can help us with your knowledge of this question.

HON. MR. TILLEY: It stands to reason that that is the situation, and it is growing all the time. The Motor Carrier Board of this province has applications every year for new bus lines, either passenger or freight, and that all means additional competition with our railways.

LORD ASHFIELD: Have you regulations covering the use of highways?

HON. MR. STEWART: Yes, as to the weights of the vehicles; they have to file a schedule, and they have to carry liability insurance.

LORD ASHFIELD: Perhaps we could have a copy of your regulations?

HON. MR. STEWART: Certainly.

LORD ASHFIELD: Are these regulations peculiar to the province of New Brunswick?

HON. MR. STEWART: Oh no, they are general.

LORD ASHFIELD: But are they worked out by agreement with the other provinces?

HON. MR. STEWART: They are similar to the regulations in other provinces. They have to carry liability insurance, have to operate buses of a certain weight, carrying a certain number of passengers, and so forth; and there are regulations with respect to safety appliances, brakes, and so on.

Hon. Mr. Harrison
Hon. Mr. Stewart
Hon. Mr. Tilley

COMMISSIONER LOREE: Do the bus lines declare dividends?

HON. MR. HARRISON: Some of them do.

COMMISSIONER LOREE: I was wondering whether the bus lines were profitable operations.

HON. MR. STEWART: Some of them declare dividends, yes.

HON. MR. TILLEY: Some do, and some are just getting by and that is all.

COMMISSIONER LOREE: Those that do, do they charge depreciation for their equipment?

HON. MR. TILLEY: They are supposed to. Some of them do and some of them do not.

COMMISSIONER LOREE: I wondered whether they were paying it out of capital or out of earnings.

HON. MR. TILLEY: Some of them are paying out of capital. It depends on the kind of management the bus line has. Each individual line stands on its own merit; if it is a well organized line they do make proper charges for depreciation.

HON. MR. RICHARDS: Mr. Stewart will hand to the Secretary of the Commission a copy of the regulations with respect to the motor traffic.

HON. MR. STEWART: Yes.

HON. L. P. D. TILLEY, K.C. (Minister of Lands and Mines): My Lord, Mr. Premier, and gentlemen, within our province we have some 16,000,000 acres of land. On the wall to your right is a map which shows our Crown land territory distinguished in pink. Of that area some 7,000,000 acres odd is owned by the Crown in the right of the province.

The lumber industry is very important in the Province of New Brunswick, and coal mining, while not nearly so extensive as in Nova Scotia, is a very important industry too. I want therefore to submit to you these items for your consideration, which I have put in the form of a letter addressed to you, Mr. Chairman:

Sir:

I have the honour to submit herewith a short memorandum coming under the jurisdiction of my department.

1st Re Lumbering conditions in New Brunswick.

Four years ago, 1927-28, the cut of lumber, ties, poles, pulpwood, laths, etc., from both the Crown land and privately owned lands in New Brunswick was seven hundred and thirty million of superficial feet of which three hundred million was cut from Crown lands. This cut of seven hundred and thirty million meant a payroll of eight million dollars and the employment directly of approximately eighteen thousand men in the woods, drives, and mills, besides the employment indirectly of several thousands more. For this reason the forestry industries are relatively of more importance to the successful business life in New Brunswick than in any other province. The total value of forest products in the year referred to was thirty-one million dollars. Due to the lack of

profitable market for our forest products in Great Britain, the production of lumber has dwindled year by year until 1930, when the total cut amounted only to approximately one quarter of the above, thus creating a very serious condition in the province generally, and particularly among the thousands of people who formerly received their employment and livelihood from this industry. It is therefore vital to this province that our former overseas trade in lumber should be restored, particularly that within the British Isles.

2nd Re New Brunswich Coal Industry.

I enclose herewith a resolution presented by the Prime Minister (Then Minister of Lands and Mines), Hon. C. D. Richards, at the last session of the Provincial Legislature, which reads as follows:

Whereas Canada imports annually one-half the coal consumed within her borders, while Canadian coal mines find it impossible to work to capacity because of the high cost of transportation from the mines to points of consumption, and the lack of a Canadian coal suitable in its natural state to replace imported anthracite;

And whereas the government now in power at Ottawa has forecast the adoption of a national fuel policy, the purpose of which would be to make this Dominion independent in its supply of this necessary basic commodity;

And whereas New Brunswick, though not one of the large coal producing provinces, nevertheless has coal deposits of considerable extent and a coal mining industry of importance to the province, which could materially expand if given access to existing Canadian markets;

Be it therefore resolved that in the opinion of this House --

This was a resolution presented at the last session of the Legislature of the Province of New Brunswick.

-- immediate steps should be taken by the Federal Government to implement the recommendations of the Duncan Commission by putting into effect freight rates low enough to make possible the marketing of New Brunswick coal in the Province of Quebec and in eastern Ontario, and that the best qualified scientific advice be obtained as to the practicability of establishing within this province a plant to produce from our own coal a coke suitable to replace the large quantity of anthracite now imported.

Attached to said resolution is a full and concise statement of the case made by Mr. W. Benton Evans, M.P.P., representing the County of Queens, Province of New Brunswick, which fully covers the situation.

I submit both these items for consideration of your board.

COMMISSIONER MURRAY: Has there been much settlement recently? At one time you favoured a policy of bringing in families from outside; is that continuing and developing?

HON. MR. RICHARDS: The British Families Settlement scheme has been abandoned completely for this year, due to lack of assistance by the Federal Government as well as the British Government, which of course is easy to understand; and one of the other schemes has also been abandoned for the same reason. So at the present time there is very little along those lines, but until this year it has been carried on to a greater extent perhaps than in any other province.

Hon. Mr. Smith, Minister of Agriculture, can give you more particulars about that.

HON. LEWIS SMITH(Minister of Agriculture): Three hundred and sixty-five have been brought here in four years.

COMMISSIONER WEBSTER: What about Danish families?

HON. MR. SMITH: I have not the exact number; every year we get some.

COMMISSIONER WEBSTER: You will get some this year?

HON. MR. SMITH: We anticipate some; they would not have capital.

COMMISSIONER WEBSTER: How many Danish families did you have in 1931?

HON. MR. SMITH: I think about thirty.

COMMISSIONER LEMAN: How are they doing?

HON. MR. SMITH: Generally speaking, well. They are the best settlers we can get.

COMMISSIONER MURRAY: What part of the province are you settling?

HON. MR. SMITH: The southern portion generally. There are some in the upper section; they have a colony there that they started thirty-five years ago. They are ideal settlers.

COMMISSIONER LEMAN: Do they go in for mixed farming?

HON. MR. SMITH: Mixed farming. They are good workers and law-abiding citizens.

COMMISSIONER LEMAN: Do you give them any assistance financially?

HON. MR. SMITH: Not financially.

HON. W. H. HARRISON, K.C.(President of Executive Council): You give assistance by your agricultural

representative.

HON. MR. SMITH: They get some service.

COMMISSIONER LEMAN: You insist then upon their having a certain amount of capital?

HON. MR. SMITH: No, not up to the present. We prefer men with capital -- Danish settlers.

COMMISSIONER MURRAY: Do they get their farms on easy terms?

HON. MR. SMITH: When the colony was originally established I believe it was on Crown land, Mr. Premier, was it not, where they settled?

HON. MR. RICHARDS: Yes, it was set aside particularly for settlement purposes.

HON. MR. SMITH: It is not an opportune time for immigration. Our own people have quite a strenuous effort in maintaining themselves in any decent shape from an agricultural standpoint at the present time.

LORD ASHFIELD: Your figures would seem to support that.

COMMISSIONER LEMAN: How do they tide over the initial stages of their settlement if you do not insist on their having capital and do not offer any financial assistance?

HON. MR. SMITH: The only explanation I could give is this: They are workers, they will work at anything.

HON. MR. TILLEY: They have three years to cultivate ten acres and build a house sixteen by twenty, which is generally a log cabin.

HON. MR. SMITH: It is taken out of the Crown leases.

HON. MR. RICHARDS: That does not apply to people

from the British Isles.

COMMISSIONER LEMAN: I was asking the question with regard to all your settlers, whether British or Danish.

HON. MR. RICHARDS: But the British have capital.

HON. MR. SMITH: We purchase the farm, and their own home government provide them with \$1,500 for stock and equipment.

HON. MR. RICHARDS: The Danish settlers come on their own responsibility.

HON. MR. SMITH: They come of their own accord.

HON. MR. RICHARDS: They usually have some means, and are very thrifty people.

LORD ASHFIELD: Is there any immigration restriction on them?

HON. MR. RICHARDS: There has not been so far.

LORD ASHFIELD: Nothing against them at all?

HON. MR. TILLEY: They must come in on the recommendation of the government here.

LORD ASHFIELD: You review each one as he comes in?

HON. MR. TILLEY: Each one stands on his own basis.

HON. MR. RICHARDS: These men are selected of course before they come over.

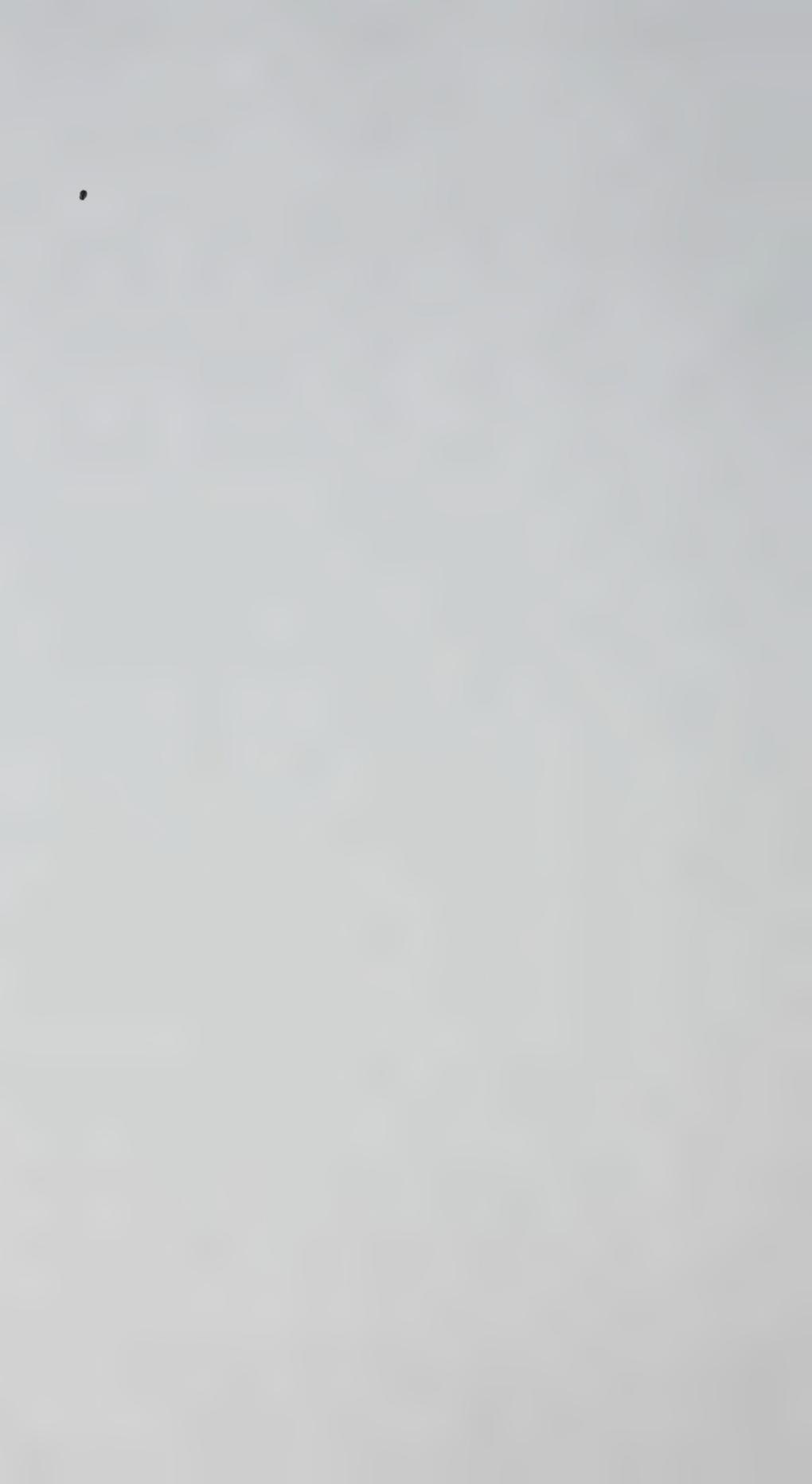
COMMISSIONER LEMAN: Most of your land requires clearing?

HON. MR. RICHARDS: Originally.

HON. MR. TILLEY: That was Crown land.

COMMISSIONER WEBSTER: Are you placing any on abandoned farms?

HON. MR. SMITH: Yes. They go in for mixed farming. They invariably work for some farmer first perhaps for a



year or so.

COMMISSIONER MURRAY: As individuals or families?

HON. MR. SMITH: In both cases.

HON. MR. RICHARDS: The Danish settlement established in Victoria County is one of the most prosperous settlements in this province. Just at the moment they are feeling the effect of the depression in the almost complete obliteration of the potato market, but it is a splendid community.

COMMISSIONER LEMAN: There is no bonusing on behalf of the province to clear up land upon which forestry operations are practically completed?

HON. MR. SMITH: Yes, there is a bonus for cutting and clearing, and ten dollars an acre for the first ploughing.

HON. MR. TILLEY: That is after he has cleared his hundred acres.

HON. MR. SMITH: Yes.

COMMISSIONER LEMAN: So you do give him a certain amount of assistance.

HON. MR. SMITH: That has been in operation for one year.

HON. MR. TILLEY: We are just trying it out.

COMMISSIONER LEMAN: So you have not any practical results to date?

HON. MR. SMITH: Other than the amount we would be liable for.

HON. MR. HARRISON: It runs into quite a figure.

COMMISSIONER LEMAN: Has that been availed of by many people?

HON. MR. SMITH: Oh, yes.

HON. MR. TILLEY: I obtained from our Immigration Department these figures of Scandinavian settlers that have come into the province: 1928, 444; 1929, 802; 1930, 557; 1931, 64: Total, 1,667.

HON. MR. SMITH: Those are the ones that enter the province. Of necessity they do not all remain.

LORD ASHFIELD: Has the province any financial obligations in connection with the railways?

HON. MR. RICHARDS: I have here a statement which shows the contributions and obligations. It may be of value in relation to the question. These are answers to certain questions which were asked in the Legislature, and which may be found in the synoptical reports of the session of 1921. After reading these questions and answers I will have the Provincial Secretary-Treasurer bring the statement up-to-date and submit it to your Secretary.

LORD ASHFIELD: Quite so.

Hon. Mr. Richards having read the statement:

COMMISSIONER LOREE: Referring to land values, in the prairie provinces land was appraised generally at a dollar an acre at the time of the transfer. I wonder how you arrived at the \$7.50 an acre.

HON. MR. RICHARDS: That was more on a stumpage value.

COMMISSIONER LOREE: How was the province persuaded to put four and a half million dollars into the Intercolonial railway, which seems to have been badly located from the point of view of the province itself?

HON. MR. RICHARDS: I do not know, sir.

HON. MR. TILLEY: If you read the history of the times

you will find that the contentions between the parties were very very heated.

COMMISSIONER MURRAY: This is the earliest railway in the province and it ran over the line on which we travelled today. That was really the best part of the province along the St. John valley.

HON. MR. RICHARDS: That would be the explanation; if you take it from St. John to Moncton, then there is no question arising as to the contribution.

COMMISSIONER LOREE: I was thinking of the Inter-colonial Railway.

HON. MR. TILLEY: The main argument in those days, without any disrespect to your great country, was that that location was farther away from the United States. They were not feeling very friendly at that time.

COMMISSIONER LOREE: How far is it from St. John down the Bay of Fundy to the open sea?

HON. MR. TILLEY: I suppose it is about eighty miles to get clear around the head to Yarmouth.

LORD ASHFIELD: Mr. Premier, on behalf of my colleagues I desire to thank you and your Ministers for the time that has been given to us this morning. We shall very carefully consider all that has been presented to us. We are glad to know that you and your associates are not unmindful of the magnitude and seriousness of the problem which has been entrusted to our care. I hope that ultimately we shall find sufficient light to suggest a solution that will be helpful; at the moment we are finding it rather perplexing.

The Commission adjourned at 11.30 a. m.

ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Board of Trade Building, St. John, N.B., on Tuesday, January 12, 1932.

PRESENT:

RIGHT HON. LORD ASHFIELD,	Acting Chairman
BEAUDRY LEMAN, Esq.,)
LEONOR FRESNEL LOREE, Esq.,)
WALTER CHARLES MURRAY, Esq.,)
JOHN CLARENCE WEBSTER, Esq.,)

Commissioners

Arthur Moxon, Esq., K. C. Secretary

Representations were made by:

Dr. W. W. White, Mayor of St. John,

Mr. A. L. Foster, President of the St. John Board
of Trade,

Mr. C. P. Patterson, for the Transportation
Commission, Maritime Board of Trade,

Mr. Arthur N. Carter, for the New Brunswick Forest
Products Association,

Mr. F. Maclure Slanders, for the St. John Board
of Trade.

Board of Trade Building, St. John,

Tuesday, January 12, 1932.

MORNING SESSION

The Commission met at 11.45 a.m.

LORD ASHFIELD: Before we proceed, gentlemen, I wish to convey to you the sincere regret -- a regret shared by the other members of the Commission -- of both our Chairman, Mr. Justice Duff, and Sir Joseph Flavelle because of their unavoidable absence. The Chairman is unable to travel, being confined to his room with a severe cold; and, as you probably know, Lady Flavelle is ill.

DR. W. W. WHITE(Mayor of St. John): My Lord and gentlemen of the Royal Commission, before your proceed to discuss the various important questions with respect to transportation, I feel it my duty as Mayor of this city to express our appreciation not only of the creation of this Commission, but also of its personnel. We feel satisfied that the subject matter is in most capable hands, and we look forward to the most favourable results from your labours. I wish you a very hearty welcome to this community -- a community, I may say, that perhaps more than most other communities has its future bound up largely in matters of transportation. As you know, St. John is a long established seaport, and it is to be hoped that far from being dependent upon an alien -- although friendly -- country, our people may participate to the fullest possible extent in the benefits to be derived from the business which may originate

in Canada or may be brought to it from other countries.

Again, allow me to welcome you most heartily to the City and port of St. John.

MR. A. L. FOSTER (President of the Board of Trade, St. John): May I express, . . Mr. Chairman, on behalf of the St. John Board of Trade our appreciation of your visit and of the time and attention that you are giving to the very important matters which have been entrusted to your care. We realize the magnitude of the task you have undertaken, and we promise you the fullest cooperation.

LORD ASHFIELD: Your Worship and the President of the Board of Trade, on behalf of my colleagues may I say how delighted we are to have this opportunity of spending what I am afraid must be only a fleeting hour or two in your historic city. We are grateful to you, Your Worship, for your cordial welcome and certainly for the very generous terms in which you have described the qualities of my associates and myself. I only hope that we shall be able to live up to the very high standard which you have set for us. We will do our best to bring to bear upon this involved problem all the skill and experience at our command. Whatever form our final report may take, it is perhaps unlikely -- I do not put it too high -- that it will receive the full and complete acceptance of the ten million and more people who are privileged to live in the Dominion of Canada, but I hope the disappointment will not be too great.

We will now proceed, Mr. Patterson.

MR. C. P. PATTERSON (for the Transportation Commission of the Maritime Board of Trade): My Lord and gentlemen of the Commission, may I endorse the remarks of the

Mayor and, on behalf of the Maritime Board of Trade, thank you for holding sessions in this province so as to make it convenient for our people to present our views to you.

The Maritime Board of Trade is comprised of seventy-nine Boards of Trade located throughout the three Maritime Provinces.

Speaking for the Transportation Commission of the Maritime Board of Trade, which was established previously to the appointment of the Duncan Commission for the purpose of securing relief for the Maritimes from the injustice they were suffering in connection with transportation, and which has given considerable study to Canadian and international transportation, may we say we appreciate the great difficulties that confront your Commission in finding a solution for perhaps the greatest transportation problem that has ever confronted any country; and our earnest desire is to assist to the limit of our knowledge along strictly broad and national lines.

We recognize that certain transportation institutions and policies being established, it would not be nationally beneficial to destroy or change same unless something better be substituted. But we are of the opinion that in a large measure such institutions and policies are of sectional and international character, and that they can be rendered more purely national, and, therefore, more nationally beneficial.

In preparing this submission we deemed it advisable to refer to some events of the past which we felt had a direct bearing upon the development of the present transportation and economic problem.

With respect to past events, may I say that they are

not referred to with any feeling of complaint or criticism for what was done. Such an attitude at the present time and without accurate knowledge of all the details of the conditions which then existed and prompted those actions would be presumptuous and unfair. Speaking as a Maritimer, I feel that we should realize the very considerable degree to which Maritime political and educational leaders and people were parties to and responsible for what was done. Reference to the past is made solely with the hope that it may be of some assistance to you in solving the present problem.

Maritime interests which have given careful consideration to present transportation arrangements, especially in relation to the American-St.Lawrence trade route, I feel sure greatly appreciate the difficulty of finding a solution for that problem; also how difficult it will be to work out a fair adjustment of the freight rate structure to ensure the just regulation of trade between the provinces, and consequently are willing to assist in any way they can.

It seems apparent that Canada has reached a point in her national development where the centralization of wealth and international transportation arrangements are threatening her stability and future economic welfare; and therefore it seems to be essential to adjust her domestic and international transportation machinery in a manner which in the future will more effectively promote the creation and distribution of wealth among all the provinces and place Canada in a position to handle all her own traffic.

I presume you do not wish me to read our submission through. We have had it printed so that you may consider it at your leisure. It is respectfully presented with the earnest hope that it may in some measure be helpful to you.

LORD ASHFIELD: Thank you, Mr. Patterson.

MR. ARTHUR N. CARTER (For the New Brunswick Forest Products Association): My Lord and gentlemen, I wish to make a submission on behalf of the New Brunswick Forest Products Association. It is a body which consists of the main manufacturers and shippers of lumber, pulpwood and paper in New Brunswick, and its members are well qualified by their knowledge, their experience and their interests to speak on behalf of the industries in which they are engaged. With a view to saving time may I be permitted to read the memorandum which I have prepared.

Ever since the province was formed, one hundred and fifty years ago, lumber has been a basic industry, surpassed as a source of wealth and employment to the inhabitants only by agriculture. It has contributed more than any other industry to the provincial revenues. The whole economic structure of the province is vitally dependent on lumber, pulp and paper. On the welfare of these industries depends in large part the prosperity of the people of New Brunswick.

During the last ten years New Brunswick manufacturers and shippers of lumber have faced increasing difficulties. Russia and exporters from the Baltic countries have supplied the market in Great Britain at uneconomic prices; exporters from the Pacific Coast have flooded eastern United States with wood products likewise at prices below the cost of production. These markets, which have always taken the great bulk of New Brunswick lumber, are largely lost to New Brunswick shippers. Contemporaneous with the loss of markets, New Brunswick lumbermen have had to meet increased taxes and heavy transportation charges. As a result of these

adverse conditions those engaged in the lumber industry in New Brunswick are in a precarious state. The operators are making no profits; the workers are receiving wages almost incredibly small; men are working this season in the New Brunswick woods for from fifty cents to seventy-five cents a day with their board -- a total wage of probably thirty dollars a month. Even at such wages as these lumbermen are experiencing great difficulty in providing employment for men who are anxious to work. When an industry reaches such a state its condition is clearly critical. The Provincial government receipts from stumpage reflect the difficulties of the industry: In 1928 they were \$860,000, in 1930, \$535,000, and the prospective cut for 1930-31 was stated in the report of the Department of Lands and Mines for the fiscal year ending October 31, 1930, (page 9) to be 90,000,000 feet as compared with 224,000,000 feet for 1929-30.

Those engaged in the pulp and paper industry in New Brunswick are faced by overproduction of their products, low prices and a diminished demand owing to the wide spread depression.

The members of our Association realize the extreme difficulties which beset the Canadian railways. They appreciate fully that the railways represent immense investments of capital and that these are in jeopardy. But they wish to point out that the railways, important though they are, are essentially auxiliary services and subsidiary to the basic industries of the country. Without the basic industries, such as the lumber and pulp and paper industries in New Brunswick, they cannot exist, and without prosperous basic industries they cannot thrive. Any step therefore taken to

relieve the railways which will affect unfavourably the lumber and pulp and paper industries in New Brunswick will in their present state have most serious consequences, not only to those industries but to the whole economic structure of the province, and must inevitably react upon the railways. Any increase of rates, for example, might well be the last straw which will break the shippers and manufacturers of lumber and pulp and paper in New Brunswick by making it impossible for them to compete in the American and upper Canadian markets.

On railway rates as they affect forest products in New Brunswick we wish to point out that they are today 65 per cent higher to points in the United States than they were in 1917, and even with the reduction allowed under the legislation following upon the Duncan Report 45 per cent higher today to points in upper Canada than in 1917. The legislative reduction does not apply to shipments to the United States. What a serious difficulty to our industries is presented by the present railway rates is demonstrated by the fact that it costs as much to ship a carload of lumber from St. John to Toronto as it does to produce it.

Much as we appreciate the difficulties of the railways, we are convinced that any relief granted to them which will prejudice our industries may well be fatal to us, will indirectly have most serious consequences for the whole province, and will ultimately fail to assist the railways.

We have read with interest the statements of the average earnings of each class of railway employees for the year 1930, which was included in the finding of the majority of the Board of Conciliation and Investigation in the dispute between the Canadian National Railways and Canadian Pacific

Railway and their employees. (See the Labour Gazette published by the Department of Labour of Canada, December, 1931, at pages 1297 and 1298). We have noted that the average wages of brakemen, baggagemen and flagmen ranged between \$2,052 and \$2,202, and those of firemen and helpers between \$1,971 and \$2,528. The majority of the Conciliation Board recommended of course a ten per cent reduction in the basic rates of pay of these and other employees, but we observe at page 1361 of the same issue of the Labour Gazette that the cost of the family budget in terms of the average prices in sixty nine cities in Canada has been reduced between 1918, when the wages of the railway employees were fixed, to November, 1931, when the report was made, from \$21.61 to \$17.81 or nearly 20 per cent. Moreover, when we compare the present wages paid to unskilled railway employees with those paid to men who work in the woods in the lumber industry in New Brunswick, we feel that the disparity is extreme and difficult to justify. We think, too, that the skilled railway employees are too generously remunerated. With respect, therefore, we recommend to your consideration as a means of effecting substantial savings to the railways of Canada and of redressing grievous inequalities between the wages paid to their employees and those paid to the employees in other industries a further reduction in the railway rates of pay.

We also desire to emphasize the substantial increase in business which would probably accrue to the industries we represent from any reduction in freight rates. Any such increase would mean increased railway traffic and very probably greater railway revenue. This consideration will we know receive from you its full weight.

If there is any further information which our members can furnish to the Commission they will be very glad to do so.

LORD ASHFIELD: Thank you.

I understand that Your Worship desires to address a few words to the Commission.

DR. W. W. LITTLE(Mayor of St. John): My Lord and gentlemen, it is not the intention of the government of the city to present an independent statement on these important questions, which after all are better handled by those who are more directly concerned with the workings of transportation and business generally; but I wish to associate myself as well as my colleagues with the Board of Trade Members who have prepared and presented the report which is now in your hands.

LORD ASHFIELD: Are there any further submissions?

MR. F. MACLURE SCLANDERS(For the St. John Board of Trade): My Lord and gentlemen of the Commission, I have been asked to make the following presentation for the St. John Board of Trade, which presentation our city and also our Harbour Commission endorse. Since this report was prepared it has been decided to make certain slight alterations in it, and with your permission I will read the report as altered and send to your Secretary the corrected submission, if that is agreeable.

LORD ASHFIELD: Certainly.

MR. SCLANDERS: Theoretically the transportation system of Canada, dating from Confederation, has been designed to serve Canadian interests. In practice little has been achieved in this direction. Solemn agreements covering the

movement of Canadian railway traffic have simply been disregarded. Parliamentary enactments to assist in building up Canadian trade routes have been either ignored or evaded through loop-holes deliberately incorporated in legislation alleged to have been adopted for the benefit of Canada.

The Confederation agreement which was concluded in London in December, 1866, contained two very important sections concerning Canadian transportation.

I submit the original blue-book published by Her Majesty's Government in 1867. These are the resolutions passed at the Confederation Conference in London:

65. "The construction of the Intercolonial Railway being essential to the consolidation of the Union of British North America and to the assent of the Maritime Provinces thereto, it is agreed that provision be made for its immediate construction by the General Government, and that the Imperial guarantee for £3,000,000 sterling pledged for this work be applied thereto, so soon as the necessary authority has been obtained from the Imperial Parliament."

The next section we consider to be particularly important:

66. "The communication with the North-Western Territory, and the improvements required for the development of the trade of the great west with the seaboard, are regarded by this Conference as subjects of the highest importance to the Confederation, and shall be prosecuted at the earliest possible period that the state of the finances will permit."

Oddly enough section 67 of the Confederation Agreement proceeds:

"The sanction of the Imperial Parliament shall be sought for the Union of the Provinces on the principles adopted by

"this Conference."

These resolutions bear the signatures of John A. Macdonald, Chairman, and H. Bernard, Secretary.

As the constitutional aspect of the transportation question will be presented on behalf of the Maritime Board of Trade, it is unnecessary to deal more particularly with that feature, except to say that Section 66 (read in conjunction with Section 65) was the deciding factor in securing the consent of Nova Scotia and New Brunswick to the Confederation Agreement, and one has lost its intended usefulness while the other has been practically forgotten. There can be no question that at the time of Confederation the attending delegates were definitely committed to the construction of railways throughout Canada which would be utilized to serve Canadian ocean ports.

Again, when the Grand Trunk Pacific bill was considered in parliament, provision was made for the use of Canadian ports by the Grand Trunk Pacific and National Transcontinental. Their employment in the strengthening of Canadian trade routes was emphasized by members of the then government who submitted the legislation; but unfortunately, the act provides that freight specifically routed must be directed as the shipper desires. Later, when the Federal Government advanced moneys to the Canadian Northern Railway Company, the same provision was included in the enabling act. In theory, the legislation may have been designed to assist ocean terminals: In practice, at least in the case of the Canadian National Railways, efforts were directed for years to the strengthening of that railway's connection with Portland, Maine, and an attempt was even made to create a new

ocean terminus at New London, Connecticut, which was to be financed with the money of the people of Canada; a notable effort being made at that time to deliberately canvass for Canadian traffic through that proposed additional United States outlet.

The cost of the railway enterprises in Canada has been fully dealt with by the Minister of Railways. Therefore, it is unnecessary to present those figures, but it is of interest to note that Canada has invested in its so-called National Transcontinental Railway system practically two and three-quarter billions of dollars, not taking into consideration public lands or other natural resources which may have been distributed in the form of railway subsidies. The Saint John Board of Trade respectfully contends that while regret at this tremendous public outlay will not afford relief in a deplorable situation, methods should be devised which will ensure to Canada all possible advantages which may be salvaged from the disaster.

Since 1878, the professed desire of all Canadian governments has been to afford employment for Canadians. Increasing unemployment during the last two years has strengthened the "Buy-In-Canada" campaign. No opportunity has been lost to impress upon Canadians the need of "Buy Canadian". In the field of transportation, however, the same solicitation for the employment of railway labour and ocean terminal labour has not been so much in evidence. Too often, we find large manufacturing concerns, enjoying ample protection under the Canadian tariff, who are inclined to use United States ports in connection with their overseas trade. The effects of this practice are far more important than

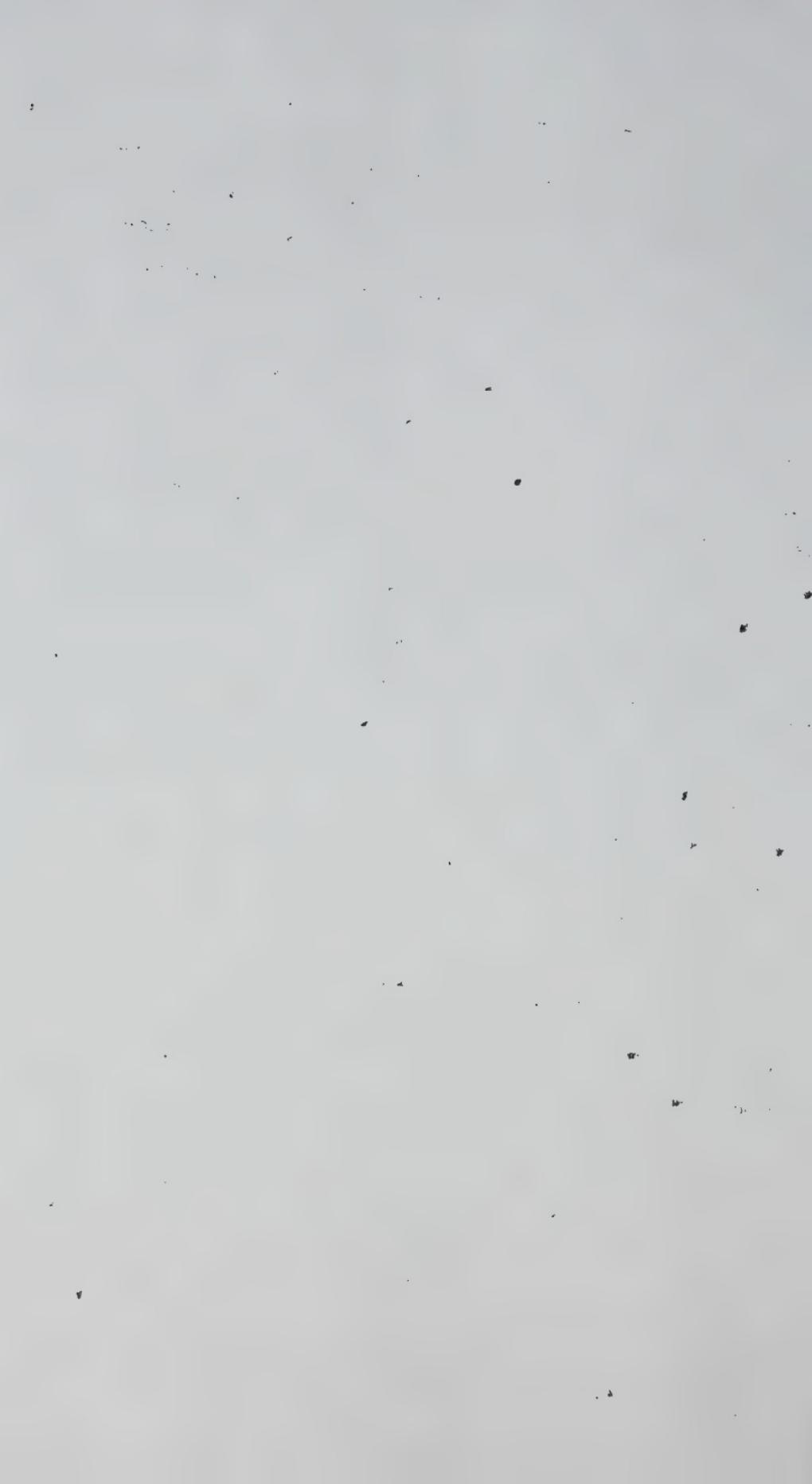
appear on the surface: When Canadian goods are shipped through an American port, it means much more than the payment of freight rates, in part, to United States railways. Once Canadian freight enters the United States, it affords employment not only to train crews moving the goods but it calls for additional section men; it assures employment in United States repair shops for damaged cars; it provides junction employees with additional labour; it engages the services of stevedores and other port workers; it brings to United States ports, steamers which in case of accident must be repaired in United States shipyards, and supplies requisite to the repair of such steamers are purchased from United States manufacturers; it means that the boats are provisioned from United States farms and that United States ports derive all the advantages in the form of port dues, etc., which are attendant on the entry of vessels to United States waters.

The entry of goods under the British preference into Canada is subject to the parliamentary regulation that such goods, in order to receive preferred treatment, must be entered through Canadian ports.

At this time, when the federal and provincial governments find themselves hard put to furnish employment for Canadians, surely, some scheme can be designed to guarantee greater use of Canadian railways and Canadian labour in connection with the forwarding of Canadian exports.

Possibly no Canadian industry is more vitally interested in transportation costs than the grain trade. The building of the Hudson Bay Railway and the present negotiation for a new outlet from the Peace River to the Pacific ocean set forth very clearly the importance of low grain rates so far as the grain grower is concerned. The port of Vancouver has enjoyed a very profitable grain traffic originating in Alberta and parts of Saskatchewan. The eastern flow of wheat finds its outlet, in part, through Montreal in the summer months; but during summer, a very large amount of Canadian grain passes through United States ports and particularly through New York. Defending the practice of using United States ports to such a large extent, grain shippers claim that they get better service and cheaper rates. During the shipping season 1930-1931, it is estimated that 2,476,864 bushels of Canadian wheat were forwarded through United States ports.

The experience of the port of Saint John has been that whenever a slight charge in connection with wheat shipments has been made, grain exporters have urged that such additions to the cost of handling grain work serious injury and hamper grain movements through this terminal. It has been stated by authorities on grain that an additional charge of one-eighth of a cent per bushel will influence the movement of grain from one Atlantic port to another. In order to verify this estimate, the Montreal Corn Exchange was asked to name a figure which might be regarded as having a definite influence on the change of grain routing, and on December 14, 1931, that organization, which is a branch of the Montreal Board of Trade, replied as follows:



"I have for acknowledgment your communication of the 9th instant, and in reply would point out that there is no doubt whatever that one-eighth of a cent a bushel would tend to divert grain cargoes from one port to another. As you know, the export grain business is highly competitive and the margin of profit is exceedingly small. Any advantage, however small, is usually taken into consideration."

It is assumed that the Montreal Corn Exchange is an authority on such matters. If one-eighth of a cent per bushel will effect the movement of grain, then it would only have been necessary for the government of this country to have granted a subsidy of \$103,096.08 to Canadian railways in order to ensure that the grain tonnage which passed through United States ports last year would have found Canadian outlets. But, for the sake of argument, let us suppose that it be necessary to bonus the movement of Canadian wheat to the extent of one-half cent a bushel. That would mean that the Canadian treasury would be called upon to pay Canadian railways moving such cargo \$412,384.32. This can hardly be regarded as a large sum of money in view of the sacrifices which all Canadians are forced to make in the form of taxes to provide the means of operating one of the Canadian railway systems.

The suggestion is respectfully made that if it is in the interests of Canada to protect Canadian factories, the same fiscal policy should recognize the importance of employing all possible Canadian railway and associate trades. At this time, large numbers of Canadian railwaymen are unemployed, many of whom might be very profitably engaged in

the forwarding of Canadian grains and other produce over all-Canadian routes. Other objections are raised against this programme; but surely, Canadian enterprise and Canadian intelligence can devise some method of forwarding Canadian traffic as an all-Canadian enterprise.

Only wheat has been dealt with in this reference; but when we consider the many other Canadian commodities which are handled through United States channels, and the immense sums paid out for this service, it will be recognized that here is an important outlay which can be retained in Canada.

Canada's major problem is the reduction of the enormous deficits which have been incurred in the operation of the Canadian National Railway. The appalling falling off of revenue of the Canadian National and Canadian Pacific railways has forced upon these transportation systems economies which a few years ago would have been considered impracticable. The Canadian National passenger service has been cut to the extent of approximately 8,000,000 train miles per annum from the maximum of 1929. The Canadian Pacific has reduced its passenger operations 3,090,808 train miles per annum. Where there has been duplication of service by the two railways, certain trains have been eliminated by mutual consent. In the Maritime provinces whole passenger services have been discontinued and very considerable reductions have been made in others.

In this connection, an agreement between the Canadian National and the Canadian Pacific Railways was announced whereby Canadian Pacific steamships made Halifax a port of call with the result that passengers, mails, etc., were



taken on and discharged at that point. We believe that for such traffic the port of Halifax is located and adapted in a sense exceptionally favourable. On the other hand, the port of Saint John is closest to the main sources of Canada's exports and to the main destinations of Canada's imports, and, therefore, from a freight standpoint, is also in a position exceptionally favourable. Thus, each port has its own outstanding recommendation, so that -- together -- they can serve nationally in the fullest and very best measure. The Minister of Railways in endorsing the agreement in point, stated that "the two railways, faced with falling revenues and a decrease in business were determined, it is understood, to gain common relief wherever possible." The wisdom of this policy is not questioned provided the same diligence in effecting savings and removing unnecessary expense in the general operation of railways is consistently exercised.

May we also call your attention to another direction in which millions have been spent to reduce the land haul to a minimum: Large outlays have been made on the National Transcontinental Railway and the Grand Trunk Pacific to supply low gradients, especially designed to facilitate the movement of freights from west to east. When the Grand Trunk Pacific legislation was passed a rosy picture was painted of the flow of Canadian western rail traffic through eastern ports. No less than three transportation systems were projected towards the Pacific ocean to enable freight to be cheaply moved to Prince Rupert and Vancouver. The latest contribution to the policy of bringing tidewater nearest to rail head is afforded in the building of the Hudson Bay Railway. On the St. Lawrence route immense sums have been spent in deepening that waterway so as to



bring ocean traffic to the port of Montreal; and in this connection we are reminded that a canal system costing to date \$300,397,493.61 has been provided and that practically all of this money has been spent in constructing the Great Lakes and the St. Lawrence canals. In sixty-three years, the income from all canals in Canada has been \$27,139,532.66 and the expenditures \$68,612,003.75 or a deficit of \$41,472,471.09. Furthermore, the suggestion is being made that a round billion dollars be spent in providing a further addition to the St. Lawrence waterways so as to create what would be the equivalent of ocean ports at Fort William and Port Arthur. But the effort to bring rail head closer to tidewater does not stop there: The Dominion Government has provided on the St. Lawrence river an ice breaking fleet at a cost of \$2,898,009 and during the year 1930-1931 expended on the ice breaking service of the St. Lawrence route \$702,902.58. This large outlay is needed to afford passage to Montreal for ocean steamers a day or two earlier than would be the case if nature were allowed to take her course. The practice is important because of the apparent advantages which Canadian railways concede to short rail routes to the sea.

The only known example of where the shortest land haul is ignored by the Canadian National Railways is in connection with the port of Saint John. Based on sound railway administration there can be no economic defense of a policy by which the Canadian National Railway neglects this opportunity to effect savings running into millions, through the greater use of the port of Saint John. The distance from Montreal to Saint John, via the National Transcontinental, is 168 miles less than the distance to



any other Canadian Atlantic port. If the old Intercolonial system is used to Halifax and the Transcontinental is used to Saint John, the saving in distance from Montreal to Saint John, as against any other Canadian Atlantic port, is 208 miles. Even if freight is hauled to Saint John via Moncton, the saving is 99 miles which should constitute a very helpful contribution toward the reduction of the operating expenses of the Canadian National Railways on ocean-bound traffic.

With all deference, we submit that the Canadian National Railway should avail itself of every advantageous geographical condition, and should therefore be compelled to use the port of Saint John to a reasonable extent for its import and export traffic.

When the attention of the Canadian National Railway officials has been directed to the wasteful system of operation to which we refer, their explanation is that at Halifax they have control of all their freight and are not called upon to share it with any other transportation system. However, the mutual agreement recently entered into between the Canadian Pacific Railway Company and the Canadian National Railways for the exchange of freights, passengers, etc., at Halifax and Saint John, entirely removes any sound reason for continued discrimination against the port of Saint John by the Government controlled railways of the country.

With regard, sir, to the statement with respect to discrimination, I might say that during the period from the 1st of November, 1929, to the 30th of April, 1930 -- these are the latest figures we have compiled, but I understand there is no change -- the Canadian National

had 58 sailings from Halifax and but 15 from Saint John, 11 of which were shared with Halifax. That is the discrimination to which we refer.

The Saint John Board of Trade is impressed with the importance of terminating all further railway construction in this country until the need for additional lines is more manifest. It has been the practice for years to construct main lines and branches with an abandon that has placed such financial strain on the resources of this country. The Commission will have the sympathy of the Saint John Board of Trade in its effort to remove as much of the load as possible from Canadian taxpayers, and we trust that its deliberations will not be unavailing in restoring some measure of relief in the situation to which it is now devoting its attention.

There is another feature in connection with the Canadian National Railways which we suggest for the close attention of the Commission; -- the operation of its United States branches. The losses incurred on foreign lines will have been placed before you and, doubtless, will be dealt with in a proper way. Any Canadian government controlled railway should, through its officers, devote its best efforts toward rendering that system a real asset in the life of Canada, and we do feel that too much importance cannot be placed on this phase of the conduct of a national railway system so often stated to be the property of the people of all Canada, but, which, unfortunately, has been and is a very costly obligation to finance.

I might add, sir, that in our references to Halifax there is nothing invidious intended. We have the kindest regard for Halifax, and we are profoundly convinced that

there is business enough to keep both ports busy under a really national transportation system.

COMMISSIONER LOREE: It is only within recent years that the shipper has had the right to route his product between terminals to suit his own convenience. Do you think it would be wise to give consideration to the propriety of vesting that right in the railroad or the government? They did have it for about eighty out of one hundred years during which the railroads have been in operation; should they now be deprived of it again?

MR. SCLANDERS: That would be a very easy way to settle the matter.

COMMISSIONER LOREE: It is suggested to me by your paper. Another question I have in mind is this: what significance do you attach to the opening of the port of Churchill?

MR. SCLANDERS: We have been watching that with some considerable interest. We have even hoped that the opening of the Port of Churchill might have some favourable commercial significance so far as the port of St. John and other ports in the maritime provinces are concerned. It is perhaps a little too early to express an opinion, but we are hopeful that the development of the Hudson Bay line may involve some commercial potentialities for the maritimes that will be quite favourable. But we will be in a better position to speak as to that a little later on.

LORD ASHFIELD: Are there any other submissions to be made? If not, I desire to thank those who have submitted information to us this morning. I am sure it will be very useful to the Commission, and I may say we appreciate



the help we are receiving from everybody in dealing with this very difficult problem.

The Commission adjourned at 12.30 p.m.

(Page 1320 follows)



ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Chateau Frontenac, Quebec, on Wednesday, January 13, 1932.

PRESENT:

RIGHT HON. LYMAN POORE DUFF, P.C., Chairman
RIGHT HON. LORD ASHFIELD)
SIR JOSEPH W. FLAVELLE, Bart.,)
BEAUDRY LEMAN, Esq.,)
LEONOR FRESNEL LOREE, Esq.,)
WALTER CHARLES MURRAY, Esq.,)
JOHN CLARENCE WEBSTER, Esq.)
) Commissioners

Arthur Moxon, Esq., K. C., Secretary.

Members of the Executive Council

Mr. J. A. Begin, Comptroller of Provincial Revenue, appeared on behalf of the Executive Council.



Chateau Frontenac, Quebec,

Wednesday, January 13, 1932.

Morning Session.

The Commission met at 11.00 a. m.

THE CHAIRMAN: Mr. Begin has something to say on behalf of the Premier, and is familiar with the subject generally.

MR. J. A. BEGIN(Comptroller of Provincial Revenue): Gentlemen, in one way the provincial government is not much interested in the solution of the problem before you, because it belongs more to the Federal authorities than to the provincial. There is in fact only one point in which the provincial government is interested in a special way -- transportation by motor vehicles. I have been asked by the Premier of Quebec to give you whatever information you may desire in this respect as far as the province is concerned.

Everybody admits of course that competition by motor vehicles is one of the troubles of the railway systems. The question is, whether this can be remedied, and how. There is no doubt that no government in order to favour the railroads would undertake to restrict private transportation by motor vehicles; but as far as public transportation by motor vehicles is concerned, something might be done.

We have a law in this province, similar to that in most of the other provinces, which empowers the Quebec Public Service Commission to allow a particular party, to the exclusion of others, to do transportation service on a certain route. If the railway companies were to go into the motor



transport business, the Quebec Government would be inclined to favour an amendment of the law so that the Quebec Public Service Commission might give to railway auto buses and railway trucks an exclusive privilege on routes paralleling railway lines. We have to cater to the needs of the public, and there is no doubt that the public, at least in our province, prefers a door-to-door system both for persons and goods.

But this arrangement could not take place, and it would not be just, unless the railway companies were prepared to take over whatever public auto buses and trucks were actually being used along those routes. Of course, I am simply expressing my personal views. The right to expropriate could easily be given, provided that the basis of the expropriation price be well understood. I think the railway companies should be prepared to pay for the buses and trucks actually in use on the basis of cost price, less physical depreciation, but not considering good-will, because the railway companies would take over those vehicles as a going concern, and leaving aside what we might call commercial depreciation, which is about 25 per cent of the vehicles value.

Those conditions, I think, about represent what Mr. Taschereau would entertain, because he would be well disposed to help the railways, and he thinks that so long as the public are properly served as they are today they would be pleased with such an arrangement.

If I understand rightly, in the United States the railways have gone extensively into the bus business. There seventy-four railway companies use over seventeen hundred auto buses; in fact nine of the main railway companies have



Between them over nine hundred out of the seventeen hundred buses. So this would not be a new thing to run as a railway business. As a matter of fact the experiment is being tried in the province of Quebec. The Quebec Central Railway Company, controlled by the Canadian Pacific Company, last fall formed a subsidiary company and as an experiment started operations with auto buses from Levis to Morisset, which is about fifty miles distant. I am not in a position to say whether the experiment has shown any profit. This information no doubt you could obtain from the Quebec Central Railway people. If this could be done by the railway companies, auto buses could take the place of some of their trains. That is about all I have to say on that aspect of the problem.

Some contend that one railway system should take over the other; some say that they should not -- there are all kinds of opinions expressed either way. But if we leave aside all political questions and take into consideration only the main principles of political economy, we shall find that the trouble is not in the physical property of each railway system; in fact they have got too much for the business they are called upon to perform just now. So we may leave aside what I may call the intrinsic value of the property of each railway system. They are looking for revenue. Revenue may be increased in two ways -- by raising the rates; by lowering the expenses. In my humble opinion this result could be obtained if the administration of the two railways was made one. In this way a lot of expenditures which are incurred by each railway through competition, or the needs of competition, would be dispensed with and the public would be satisfactorily served, although the number of trains or



cars would be diminished somewhat.

Of course, I am just expressing my personal opinion about the matter. But I believe it is a question of administration, a question of earnings, much more so than giving one property to the other or merging the properties. They may remain legal entities and still be administered by one board. For years we have seen one administration of many different railway properties. The Canadian Pacific administers quite a number of railway properties which are separate entities. What has been done in the past on a small scale could now be done on a bigger scale, especially in view of the actual needs of the present situation. I do not want to go too far in expressing personal opinions.

THE CHAIRMAN: We shall be very glad to hear you elaborate any views that you have formed, Mr. Begin.

MR. BEGIN: I have not studied the problem, I am not in the transportation business; I am just expressing my views based entirely upon political economy, nothing more. The first part of my remarks was in connection with the requirements of all the people. They prefer a door-to-door service, and in fact if we were living where they are we would express the same opinion; there is no doubt about it. The only way to do that is for the railways to go into the truck and auto bus business on the roads alongside their lines. So to prevent competition there would be only one administration. It may be said that to buy those trucks and buses would involve a heavy expenditure on the part of the railway companies. Well, they may build fewer locomotives, fewer pullmans, fewer coaches, and so save capital in that direction. As far as the province of Quebec is concerned, I have been told by some

people in the motor vehicle business that of the motor buses that operate in the province 518 do not operate on routes paralleling railway lines. So there would not be 518 to expropriate -- no, I would say there would not be more than half of that number. They say that the 518 represent a capital of \$4,000,000. I do not think so, I think it would cost much less than that to cover the ground and give satisfaction to the public.

THE CHAIRMAN: Are these public buses and trucks paying?

MR. BEGIN: I do not think they are paying unless they are well administered. I do not think they take into consideration sufficiently the physical and commercial depreciation.

SIR JOSEPH FLAELLE: Just what is the distinction between commercial and physical depreciation, Mr. Begin?

MR. BEGIN: If you buy an automobile today for your own personal use there is a commercial depreciation of 25 per cent of its value; besides that, at the end of the year you must add an average of 15 per cent depreciation for reasonable use. That is why I distinguish between physical depreciation and commercial depreciation.

SIR JOSEPH FLAELLE: Commercial depreciation really being obsolescence.

MR. BEGIN: Yes, it is taken out by the trade; it is not the result of use. When you buy an automobile from a trader in motor vehicles you sustain a depreciation of 25 per cent; then there is a limited depreciation of 15 per cent, which is pretty near equivalent to the commission which the vendor of the motor vehicle earns.

COMMISSIONER WEBSTER: You mean even if you do not use that car once but keep it in your garage a month, you cannot sell it as a new car, you must take off 25 per cent depreciation; and the insurance companies do the same thing?

MR. BEGIN: Yes.

COMMISSIONER LEMAN: Whereas the physical depreciation is the actual wear and tear.

MR. BEGIN: Yes. The commercial depreciation is based upon the fact that it is taken off by the trade, and is also the obsolescence which takes place from year to year.

COMMISSIONER LEMAN: From month to month even.

MR. BEGIN: In fact they divide it by quarters.

SIR JOSEPH FLAVILLE: Mr. Begin, in determining the license fees which will be collected from the owners of private automobiles, motor buses and motor trucks, do you seek to establish a sum sufficient to pay interest on the bonds representing the money to build and maintain your roads and to set aside a sinking fund for amortization?

MR. BEGIN: If we put together the different sources of revenue from motor vehicle registrations, the mileage tax and the gasoline tax for five years, and set against that revenue five years disbursements by our road department, there is left a deficit of \$2,500,000. That is prior to last year. Last year our road department spent \$14,000,000, and all the revenue we obtained was \$10,000,000.

COMMISSIONER LEMAN: In the one year?

MR. BEGIN: This last year we were short \$4,000,000. But we consider we are ahead of almost any provinces in taxation of motor vehicles -- much ahead of Ontario. For big truck license fees we come near to British Columbia. As far

as the gasoline tax is concerned -- well, we think we are doing our duty. Last month we raised it one cent more; it is six cents now. For about seventeen years we have had a five dollar fee for each license, whether for the chauffeur or the ordinary operator. Some of the provinces lately have been collecting a one or two dollar fee.

THE CHAIRMAN: The \$14,000,000 comprehends all the expenditure on roads?

MR. BEGIN: No, it does not comprise the expenditures on bridges. But you must not forget that for three years the provincial government has undertaken the maintenance of all the public roads. This is a big item of expenditure.

COMMISSIONER LEMAN: That is included in the \$14,000,000, maintenance and capital construction.

THE CHAIRMAN: You are not taking into account any item for interest on capital?

MR. BEGIN: No.

THE CHAIRMAN: How do you finance?

MR. BEGIN: The balance comes out of general taxes.

THE CHAIRMAN: There are no special road debentures?

MR. BEGIN: No. Years ago all of the gasoline tax and our motor vehicle taxes were ear-marked; but we discontinued that practice three years ago.

SIR JOSEPH FLAELIE: Ear-marked for what?

MR. BEGIN: To be used specially on the roads. What was the use? The revenues from those sources were always much short of the expenditures, and they are still short. We had to take the balance out of our general taxes every year. I think the undertaking given to build and maintain roads does not require any ear-marking of revenues. We have

got to provide the revenues to cover that expenditure; that is all there is to it; ear-marking does not amount to much after all.

COMMISSIONER LEMAN: Would you have in mind, Mr. Begin, to what extent the actual debt of the province may have been increased by the capital and maintenance expenditures on highways? That is to say, what would be the difference between your revenue and your total expenditure?

MR. BEGIN: No, I cannot give any further figures than those I gave you a few minutes ago. For another purpose I made some calculations for five years back and the one for this year.

THE CHAIRMAN: How do you provide for that discrepancy of \$4,000,000, out of current revenue?

MR. BEGIN: Current revenue from other sources.

SIR JOSEPH FLAELLE: Do I understand, Mr. Begin, that the province of Quebec borrowed no money for road building?

MR. BEGIN: Certainly, I did not say that.

SIR JOSEPH FLAELLE: It is claimed that the railways pay for their roadbed and for its maintenance and betterment, and that their only source of return is from the earnings they receive from the use of such roadbed. Now, from the license fees paid by the owners of all the private automobiles and all the trucks and buses using the highways, together with the various taxes associated with that enterprise, including the gasoline tax, do you receive a sum of money sufficient to pay interest on the cost of the roads and to provide adequate maintenance and a sinking fund to take care of rebuilding at sometime when the necessity

arises? The railways must provide this cost from the use of their right-of-way, or somebody else must pay it for them.

MR. BEGIN: Dealing first with the latter part of your question, our taxation upon railways is based upon mileage. We have seventeen different railways; of course they may be controlled and operated by one or two corporations, but they are seventeen different legal entities. We receive only \$91,000 a year from those seventeen railways. We receive \$10,000,000 from motor vehicles. So it cannot be said that the province is taking taxes from the railways to help maintain the roads.

SIR JOSEPH FLAELIE: I was not questioning the taxation levied by the province upon railway property. The railways claim that motor vehicles carry passengers and freight over roadways for the use of which they do not pay a sufficient share to absorb interest and maintenance charges incidental to the building and upkeep of those roads; whereas the railways can only secure from the services they operate the money necessary for the maintenance of their roadbed -- their right-of-way -- and for interest on capital account and for the setting aside of a sinking fund.

MR. BEGIN: Twenty years ago, in 1912, the province of Quebec decided to undertake the building of new roads. At the time the law read that the province would furnish half and the respective municipalities the other half of the cost of what they call the refection or resurfacing of the roads. The half payable by the municipalities was represented by bonds which were delivered to the province, and the province paid for the whole cost. Those bonds were to be extinguished by payments sufficient to provide for interest and sinking

fund spread over a certain period. I do not remember the rate charged at the time, but it was very low. That was the practice for some years. Certain of the municipalities met their yearly maturities, others could not afford to meet them. Still the work was proceeded with by the province. It was found to be useless to make new roads or to resurface old ones unless afterwards they were properly maintained, otherwise the expenditure was lost. So a few years ago the province undertook to maintain all those public roads. It was easier and cheaper for the province to do this than for any municipality to undertake the work. This work required costly machinery, and you can quite understand that many of the municipalities could not afford such a heavy expenditure. Three years ago there was a change. Last year the province held against the municipalities bonds amounting to between sixteen and seventeen million dollars. It was decided to remit to the municipalities the unpaid balance on all those bonds. That is the situation. Now our purpose is to raise our revenue from gasoline or from registration and license fees to meet not only the yearly expenditure on refection and on maintenance, but also the amount which we consider has been put into the roads out of the total debt of the province.

SIR JOSEPH FLAELLE: The interest on it?

MR. BEGIN: Interest and sinking fund. But we cannot get that revenue today because to do so we would have to exact from our motor vehicle people a gasoline tax at the rate of about ten cents a gallon, and from the owners of private and public cars we would have to exact much higher fees than we do today; and still we are away above most of the other provinces in this respect.

SIR JOSEPH FLAVELLE: In dealing with the problem of highway competition with the railways, do you consider, Mr. Begin, that any duty rests upon the provincial administration to see to it that the railways should not be confronted by a competitor who does not pay enough for the privilege of his roadbed to recoup the province the cost of its construction and maintenance?

MR. BEGIN: I think it is the aim of the administration of this province to obtain that result, but it can be obtained only step by step. I may cite you an instance. This year we found that we had 1,760 fewer motor vehicles in the province than last year. So if the number decreases at this rate it is not going to help our revenue. If you raise your rates of registration, your license rates and your gasoline tax so high as to stop the buying of private cars and their running on the road, it would not increase our revenue from this source. You cannot go beyond a certain figure in the taxation of motor vehicles, even if it is your purpose to help the railroads.

COMMISSIONER LEMAN: Mr. Begin, taking your \$10,000,000 of revenue derived from motor vehicles, is there not a certain amount left over yearly for construction of new roads and refection of old ones?

MR. BEGIN: There are two things which we are doing with our revenue. First, we have to repair our roads where repair is needed; it is a case of urgency, it must be done. Second, we have to maintain our roads in proper condition; if you do not do so you lose your capital outlay. Those are the two first considerations; interest will come next. But we cannot tax our people much more than we are taxing them now.

COMMISSIONER LEMAN: No; but is the \$10,000,000 insufficient?

MR. BEGIN: Last year we spent \$14,000,000 in maintenance and refection alone.

COMMISSIONER LEMAN: Without building any new roads?

MR. BEGIN: Except to take off some curves and to improve some level crossings, work which has to be carried on every year. I had occasion last week to speak to Mr. Vien about it. He represents the auto bus business. He has some figures as to what the railroads have received from the government by way of land grants and cash subsidies. But I do not think that this is the question to be considered. The question is, as far as our province is concerned, do our people want the convenience of a door-to-door service, or do they prefer the station-to-station system. Of course, I do not need to answer. We have only to put ourselves in their boots to get the answer right off.

COMMISSIONER LOHME: Might I approach the subject from a somewhat different standpoint. In the first place, what is the business for which the motor truck competes with the railroad? I think generally it is what is known as the less-than-carload business, the package business.

MR. BEGIN: Yes.

COMMISSIONER LOHME: Now, what is the plant that the railroad furnishes to conduct that business? It furnishes as a rule a yard station in the more central part of the town; it is a piece of high-cost property and is one of its most expensive investments as a unit. In the second place, it has to have a considerable staff to operate the business. It sets a freight car at a mine and the coal is rolled down into

the car from a chute; or it sets a freight car at a manufacturing plant and the manufacturer loads the car and stevedores the freight. But at the station the railroad has to stevedore the freight, load the car, unload it and truck the freight across the platform, weigh it and decide which class of traffic it is to be moved in for revenue purposes, to make out waybills. The average receipt for the waybills is only about twenty-five cents. The revenue received from that business is a little more than 4 per cent of the total revenue; the freight weighed is about 4 per cent of the total freight carried; it takes 20 per cent of the cars owned by the railroad to handle that 4 per cent business. In the States where I am more familiar with the business we have not done any considerable amount of door-to-door delivery; we tried it once or twice and gave it up. But the English roads have done it for a hundred years. Last year their door-to-door deliveries netted them a loss of \$6,000,000. So there are many railroad people who wonder whether they would not be better off if the truck companies took the whole business and the railroads could get out of it, sell their stations and recover the money, and use their equipment much more economically than it is used now. They wonder whether there is anything in the business that is worth fighting for, whether they had not better let the public sort that out to suit themselves, whether it would not be the part of wisdom for the railroads to protect themselves by reduction of their costs rather than by competing for the business.

MR. BEGIN: How will the public protect themselves?

COMMISSIONER LOWE: I suppose by the organization of private truck companies, or the abandonment of the business

by the truck companies and throwing it all back on the railroads.

MR. BEGIN: In this province we have been talking of public trucking and public passenger traffic for about ten or eleven years. At the time some of the railroad officials were told to take hold of that business in its infancy, but they did not consider it advisable to do so; they did not then expect that the public motor vehicles would damage their property. I think the damage comes more from the private car and the private truck than from the public car and the public truck.

COMMISSIONER LOREE: Yes, the latter are a very small percentage of the total.

MR. BEGIN: Very small. We have 518 out of 155,000 private passenger cars -- not one tenth of one per cent. So that is not where the damage lies. The damage to the railroad traffic lies in the private truck and the private car. Now, are you going to take them off the roads?

COMMISSIONER LOREE: My own feeling has been, no, decidedly not. I think the public is entitled to the very best means of transportation that science affords, and to the freest resort to that transportation. But to my point of view the railroads are faced with a problem very much of the same character as that which faced them thirty years ago when suburban electric lines were built. At that time many of the railroads had the same fear of the loss of their business that they now have, and they proceeded to buy up trolley lines. Nearly all the lines in the Mohawk Valley were bought by the New York Central, and nearly all those in the Hudson Valley by my own company.

We operated those roads for about twenty-five years, we lost a great deal of money in the operation, we lost \$20,000,000 in the investment, and the people who bought them from us have lost their entire investment and they are now in the hands of a receiver. Twenty-five years is a long period to struggle with a situation of that kind. If we could have foreseen the future and taken the loss when it could have been limited to \$5,000,000 or \$6,000,000 we would have been very much better off. So from that point of view motor trucking has not made many railroads feel very anxious to go into it.

MR. BEGIN: But if the railroad lines claim that the motor truck is injuring their business to such an extent that it should be taken off the road, then why don't they do the traffic themselves? It is one of two questions.

COMMISSIONER LOREE: My own feeling has been that in dealing with the use of the highway by motor vehicles it was a question for police regulation. Last year in the United States we killed -- not injured, but actually killed over thirty thousand people; that is almost one hundred a day. I do not think the public will let that go on indefinitely. The lives destroyed in that way are above the average value of the single life in the community.

MR. BEGIN: But you don't claim that the auto buses were solely responsible for those fatal accidents?

COMMISSIONER LOREE: I think to some extent they were responsible. They are large and unwieldy and shut off the view to such an extent that they are the primary cause of many accidents. My own feeling has been that the States have been very derelict in dealing with the policing of the highways. They could resort to the use of automatically

controlled speed and various other things.

MR. BEGIN: Yes. We have special restrictions in connection with the running of auto buses. For instance, passengers are not permitted to talk to the chauffeur, and he must have passed a certain examination. There are certain provisions in the law which tend to prevent accidents as much as possible.

COMMISSIONER LEMAN: Did you look into the question, Mr. Begin, of the effect of winter conditions in dealing with those particular problems? On the railroads is placed the responsibility of affording service for twelve months in the year; whereas many of the other vehicles afford service only during the most advantageous season, the summer months.

MR. BEGIN: Everybody knows those facts. We cannot prevent winter from setting in. Still the people prefer to have door-to-door service for whatever number of months in the year they can obtain it. We understand that the problem exists. But it is no use merely to admit the problem; we must try to find a remedy. It is a question whether the remedy lies in the elimination of public trucking, because there are not enough public trucks to materially affect the earnings of the railroads. If on the other hand we include private cars with public cars, then I admit it is one of the causes in the diminution of the railway revenues; there is no doubt about that.

COMMISSIONER LORRE: Along the line of police regulation what would be the effect if you limited the load, for example? Last fall the State of Texas passed a law limiting the load to 7,000 pounds, and limiting the speed of the truck by means of automatic control.

MR. BEGIN: A governor.

COMMISSIONER LOREE: A governor. They also regulated the length of the truck and introduced police regulations of a rather stringent character from the standpoint of protection of human lives, not from the standpoint of protection of competitive business at all.

MR. BEGIN: That was done some years ago.

COMMISSIONER LOREE: Do you think it has been carried far enough?

MR. BEGIN: We have no mechanical governor, but all the other points we have insisted on for years. For instance, the limitation as to speed is ten and twelve miles an hour, and we raise that to fifteen and sixteen miles an hour on some special roads. The limitation as to the length of motor trains we have had in force for fifteen years; it was extended eight years ago. We have a limit of ninety-six feet for the length of a motor train, and there cannot be more than three units.

SIR JOSEPH FLAELLE: You have a ninety-six foot maximum limit?

MR. BEGIN: Yes.

SIR JOSEPH FLAELLE: A three-unit trailer?

MR. BEGIN: There are three units; that I am positive of. I think I am mistaken as to the length -- it is eighty feet.

SIR JOSEPH FLAELLE: Is it a motor and two trailers or a motor and three trailers?

MR. BEGIN: It depends. We call a tractor with a trailer one motor vehicle. We call a truck with a trailer two units. A tractor has no body to carry anything, so

to make it a motor vehicle we consider that the tractor must be accompanied by another vehicle, either a trailer or a semi-trailer.

SIR JOSEPH FLAUVILLE: But your three vehicle regulation means a motor truck capable of carrying a load and two trailers?

MR. BEGIN: Yes.

COMMISSIONER LOCH: In this week's Saturday Evening Post there is an article by Arthur Curtiss James, one of the largest investors in railway properties in the States. He said that recently he was in Detroit and saw on the streets a truck that had come from New York with a load of furniture amounting to thirteen tons. The man had driven 18 hours a day coming up and was hunting for a load to go back. He figured that his earnings would be ninety-three cents an hour, but that made no provision for any return on his capital or for depreciation of his vehicle. Now, it seems to me that a very large part of this truck mileage is going to disappear as it is unprofitable and as the super-salesmanship of the automobile manufacturer begins to be understood by his customers. I look to see the truck very largely pursue the same career as the interurban trolley did; I think eight or ten years from now it will have pretty well disappeared.

MR. BEGIN: There is a feature that might be considered, that of limiting the length of the route given to a truck. That would help the railroads to a certain extent -- the long hauling.

COMMISSIONER LOREE: There is a great deal of that going on now. The Endicott and Johnson shoe factory at Binghamton, New York, are moving by truck thirty-six car-loads a month of material and shoes into Boston. That is a haul of about 400 miles. I cannot imagine that will continue any more than a year or two; when they get the experience they will go out of it.

MR. BEGIN: Long hauls by trucks could be restricted.

SIR JOSEPH FLAELLE: In the case you cite, Mr. Lorsee, it is a private corporation shipping its own products?

COMMISSIONER LOREE: Yes.

SIR JOSEPH FLAELLE: Exclusively by truck?

COMMISSIONER LOREE: Yes.

MR. BEGIN: Only about 18 per cent of the trucks in the province of Quebec are public carriers; the rest are privately owned, especially by local industries and wholesale trades, who use them for the delivery of goods to purchasers around the centre in which they are located.

COMMISSIONER LOREE: We classify these motor carriers in three groups: the privately owned truck, who carts only for himself; the contract truck, which is owned by an individual, who works under contract exclusively with one or more persons or firms; and then the public carrier, who takes anything that is offered.

MR. BEGIN: We have had only two such classes, but under a judgment rendered by the Superior Court of Montreal

about a month ago we would have to make a third class, which is the second to which you referred -- those who are under contract.

COMMISSIONER LOREE: How much would that reduce your 18 per cent?

MR. BEGIN: Oh, not much. In fact there are very few in Montreal who truck only for one concern. It is only in Montreal that this occurs.

LORD ASHFIELD: May I ask whether a copy of the regulations covering the use of the roads and a statement showing the taxes imposed upon the various classes of vehicles will be submitted?

MR. BEGIN: Certainly; that can be done.

LORD ASHFIELD: I am much interested in what you say with regard to the question of expropriation of motor trucks and motor buses. I gather from what you have said this morning that if such a law were made effective, it would result in some of the present owners losing money.

MR. BEGIN: I consider that the various roads in taking them over would continue the business -- that is, the trucks would continue to be used; they would not be put back into commerce. Consequently we should take into consideration as a basis of expropriation only their cost price less physical depreciation.

LORD ASHFIELD: The argument might be made on behalf of those who have been carrying on this business that they are pioneers in the industry; that in the early years the business does not pay and there is no opportunity for adequate depreciation, but that if they are left alone they will ultimately come to a self-supporting basis. There is



no question that that is the experience in England. Consequently they might say that such a procedure would be very unfair to them, because the railways would get the advantage of their early work in connection with which they took a loss.

MR. BEGIN: Almost all arrangements of this kind involve a compromise one way or the other. The railway companies would be running a risk, and I consider that they should not be called upon to pay anything for the goodwill or for commercial depreciation; because the car was bought to be used, not for resale. Prior to the advent of the railways water transport was the chief method of carriage of goods, yet nothing was done for the owners of the boats when the railways started their operations. In fact water transport is still competing with the railways.

SIR JOSEPH FLAELLE: We gave them free canals, free waterways, free berthing.

THE CHAIRMAN: But the vessels were allowed to continue their operations. As I understand your suggestion, Mr. Begin, it is that the province would not be indisposed to consider a proposal on the part of the railways to enjoy exclusive rights on certain routes -- what might be called competitive routes, subject to the condition that they should take over, on the basis of valuation that you suggest, the vehicles actually now engaged in commercial transport.

MR. BEGIN: That is it.

THE CHAIRMAN: I take it your proposal does not contemplate any interference with private trucks.

MR. BEGIN: Oh no; that is impossible, because if you get into that field you get into the private car

business.

COMMISSIONER LEMAN: You have reference only to the common carriers?

MR. BEGIN: Yes, public carriers.

THE CHAIRMAN: So that it would affect the 18 per cent?

MR. BEGIN: Eighteen per cent of the trucks. As far as passenger cars are concerned, there are 518 in use out of 155,000 private users, which is not one per cent.

SIR JOSEPH FLAVELLE: With respect to your earlier suggestion that as a possible method of dealing with the railways they should continue in their ownership as at present but be operated by a common board, have you projected your mind into the practical aspect of that possibility? I am thinking now of the distribution of earnings; do you suggest a pooling of the earnings, considering them as one and dividing them upon some pre-arranged basis between the two corporations?

MR. BEGIN: I think the earnings should be distributed according to holdings; in fact that is the practice generally followed under the law. The valuation will certainly have to be based upon the physical value of the property of each railway system, and even of the steamship services if they are put in. The value will have to be set for the purposes of distribution of earnings. Such an administration should endeavour to meet expenditures and provide for indebtedness, and that could not be done unless a valuation were set upon each transportation system involved; otherwise discrimination would result.

LORD ASHFIELD: I shall not press you too far in

respect of that situation -- I gather you have not studied it in great detail.

MR. BEGIN: Oh no. In fact it was only yesterday that I was asked to come here, and I am going a little further than I intended to.

LORD ASHFIELD: Of course this point always presents itself in connection with any scheme of that kind -- there might be a loss and not a profit.

MR. BEGIN: In administering the two properties as one?

LORD ASHFIELD: Yes. Who would bear the loss?

MR. BEGIN: There are certain features to be taken into consideration in that regard. First there would be the diminution in the effects of competition, a decrease in the cost of obtaining business and in the expenditure of competitive services generally. At present there is more of than than is necessary to meet actual needs.

LORD ASHFIELD: I take it there can be no dispute that the present system is grossly extravagant?

MR. BEGIN: That is the general feeling, with respect to both systems. The whole question will have to receive very careful consideration; you must not be too quick to apply a remedy which will not effect the desired results.

COMMISSIONER LOREE: You suggest the possibility of reducing the expense of furnishing transportation. The price of steel rails to-day is generally \$43 a ton. The price of scrap is no higher now than it was in 1913, when the railroads were buying their steel rails at \$28; in other words they are to-day paying a little in excess of 50 per cent more than it cost them in 1913. You cannot buy rails from the manufacturers in the States or Canada

any cheaper, and you cannot buy steel rails in Europe delivered in the States any cheaper. If these roads were combined, what would be the effect on the price of material? Do you think they would then be strong enough to have their own way with regard to prices?

MR. BEGIN: I do not think a single administration would benefit in respect of purchases, because they have to meet other competition.

COMMISSIONER LOREE: I am interested in a road in the southwest on which last year and the year before we laid no new steel rails. Suppose the policy of the roads in the United States had been so controlled that they were able to say to the manufacturers: Either give us your rails at \$28 or we will buy no rails this year, and we shall probably buy no rails next year; what would be the effect of that? Could we get prices down in that way?

MR. BEGIN: That might be all right so long as your roadbed could stand it. A railroad must do as anybody else -- when the house is liable to fall down you have to attend to the foundation.

COMMISSIONER LOREE: Would they not be in a stronger position in that respect than the rail manufacturers?

MR. BEGIN: Possibly.

COMMISSIONER LOREE: In St. John yesterday we had the complaint of the lumbermen that they were receiving only about 50 cents a day, and that as compared with the very high wages of railroad men they were suffering hardship. The implication was that the way out was to reduce the cost of railroad labour.

MR. BEGIN: A business must be run so as to make money. It is with the operation of a railway as with any

other business; if they have too many employees, they should put some out; if an industry has too many employees, it should put some out. The Government, I am sorry to say, is the last one to put them out, but at the same time they get their revenues from the people they serve.

THE CHAIRMAN: Mr. Begin, you will be able to let us have the regulations, and particulars with regard to the taxation, and so on?

MR. BEGIN: Yes sir, we shall be glad to furnish that.

LORD ASHFIELD: This type of road you are building is very interesting. Is it successful in dealing with this heavy motor traffic?

MR. BEGIN: Different experiments have been made. It has been found that while cement is good to drive on, it is not the most durable material, because it is likely to break under the action of different temperatures in winter and summer. A softer and more malleable material lasts longer, because it may bend and come back. On many of the country roads where there is not much traffic we make a foundation first and then put gravel on.

LORD ASHFIELD: Have you any idea what it costs per mile to build a first class road?

MR. BEGIN: I am not in a position to tell you now, but the information could be obtained from Mr. Fraser, the chief engineer of our department.

COMMISSIONER LEVAN: You could submit, or have filed, a statement as to the cost?

MR. BEGIN: I could file his opinion on the subject if he does not give it to you himself -- he may call this afternoon; I do not know.

COMMISSIONER LEMAN: Well, if you or Mr. Fraser could give us a memorandum on this subject, that would be satisfactory.

MR. BEGIN: Yes -- of the general cost of different kinds of roads.

COMMISSIONER LOREE: The surfacing, not the grading, because that would depend on the character of the country or the preparation of the roadbed itself.

MR. BEGIN: It is pretty hard to distinguish the preparation of the roadbed from the treatment of the surface.

SIR JOSEPH FLAELLE: Is the breaking of your cement not caused sometimes by faulty drainage and the heaving in the spring?

MR. BEGIN: By the heaving in the spring, but not faulty drainage. I am not a civil engineer, you know, but the cement is a dry material and when the frost gets into the earth it has a tendency to bend it, and when it bends of course it cracks. If the surface is made of a more malleable material, it bends but does not crack, and it comes back.

COMMISSIONER LOREE: Are you using bitumen macadam a good deal?

MR. BEGIN: I cannot tell that. We are making experiments here, as they are doing in the other provinces and in the States. We have an organization known as the Canadian Good Roads Association, which meets once a year in general convention, with sectional or executive meetings at other times, and they talk over these matters, consider the experiments that are being made, and so on. So far as the railroads are concerned, the trouble is not in the physical value of the property, it seems to me; it is rather on

account of lack of revenue. As I said before, there are two ways of dealing with that -- decreasing expenditure or increasing rates. So it is a question of administration, and that is why in my opinion something should be done to eliminate entirely the competition between them. Of course I am simply expressing my own views; I cannot do any more than that.

THE CHAIRMAN: Well, you have given us a good deal to consider, Mr. Begin, and we are very much obliged to you.



ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Court House, Quebec, on Wednesday, January 13, 1932.

PRESENT:

RIGHT HON. LYMAN POORE DUFF, P.C., Chairman

RIGHT HON. LORD ASHFIELD)

SIR JOSEPH W. FLABELLE, Bart.)

BEAUDRY LEMAN, Esq.)

LEONOR FRESNEL LOREE, Esq.)

WALTER CHARLES MURRAY, Esq.)

JOHN CLARENCE WEBSTER, Esq.)

Commissioners

Arthur Moxon, Esq., K.C., Secretary

PUBLIC MEETING

Representations were made to the Commission by:

Mr. Paul Taschereau, K.C., Quebec Railway Light
and Power Company

Mr. J. A. Cote, Superintendent, Montmorency
Division

Mr. J. E. Tanguay, General Manager

Mr. W. J. Lynch, Assistant General Manager

Mr. Noel Belleau, K.C., legal adviser, Chamber of
Commerce, District of Levis

Mr. H. E. Weyman, President, Chamber of Commerce,
District of Levis

Mr. Thomas Vien, K.C., Canadian Electric Railway
Association, Provincial Transport Company,
Ontario Motor Coach Operators, Montreal
Tramways and its bus services

Mr. Thomas Vien, K.C.) L'Association de Propriétaires
Dr. J. Beaudet) d'autobus, district de Quebec

Mr. H. O. Blanchet, President, Railway Employees
Association, province of Quebec

Court House, Quebec,
Wednesday, January 13, 1932.

The Commission met at 3 p.m.

THE CHAIRMAN: Mr. Taschereau.

MR. PAUL TASCHEREAU, K.C., (Quebec Railway, Light and Power Company): Mr. Chairman, we appear on behalf of the Quebec Railway, Light and Power Company, operating a tramway system within the limits of the city of Quebec, and a railway between the city of Quebec and St. Joachim, a distance of about twenty-five miles. We claim that the buses and trucks are hurting the company to such an extent that at the present time the company has practically no traffic between Quebec and St. Joachim. We have here Mr. Cote, superintendent of the company, who will lay the case before the Commission. I may add that Mr. Cote is superintendent of the Montmorency division, which is the system between Quebec and St. Joachim.

MR. J. A. COTE: Mr. Chairman, I have prepared some statistics with regard to the freight handled in carloads during the years 1927, 1928, 1929, 1930 and 1931. An examination of the figures shows that in carload traffic we have had in 1931 a decrease of 56 per cent as compared with 1927. The different commodities handled are set forth here. It will be noted that some of these the trucks are not handling, such as steam coal or hard coal, newsprint and pulpwood. But where we are most seriously affected by this truck competition is in the handling of stone, for the crushing of which there are two industries located on the railway. It was about two years ago that the trucks started to run into our traffic. About that time I asked the manager of

one of the companies why they had practically discontinued shipping by rail -- this was a brick factory. Their contention was that the contractors in Quebec City did not wish to receive such large quantities of freight all at the same time, in carload lots -- say ten or twelve thousand bricks; that it was occupying too much space around their shop, and that they would much prefer to receive the material by truck. In that way they could get anywhere from one to three thousand bricks a day and set them up during the day. The manager of the brick factory told us that if we could possibly waive the demurrage charges on cars which would not be unloaded within the prescribed time, forty-eight hours, they might be able to continue shipping by rail. In other words, what they wanted was to enable the contractor simply to call at the station at Quebec and take from the car whatever bricks he wanted to use during that day, so that in some cases it would take a week or two before the car would be completely unloaded. But we could not possibly waive that demurrage charge, because we were compelled to abide by the rules and regulations of the Canadian Car Demurrage Bureau.

With respect to the other traffic, in the less than carload lots in 1931 we had a decrease of 75 per cent as compared with the less than carload freight during 1927. Of course the highway runs parallel to the railway, and many of the merchants in Quebec deliver the l.c.l. freight direct to the consignee. Of course I have no doubt that the consignee finds it much more convenient, because the goods are delivered right to his store. On the other hand, the charges, as far as I can see, are not quite right, because it does not give the railway company a fighting chance.

We have been approached by contractors to quote them

freight rates for the handling of material to be used in the construction of a bridge that is to be built between Montmorency and the Island of Orleans, and no matter how low may be the rates we quote, they tell us they can get it much cheaper by truck.

Passenger traffic has also decreased to quite a substantial extent. The figures here show that in 1927 we carried on the twenty-five miles of railway 1,517,996 passengers, while in 1931 we carried 1,253,915, a decrease of 17 per cent. Our average revenue per passenger has come down from 19.57 cents in 1927 to 17.87 in 1931. This decrease in the number of passengers carried is mostly due to the auto buses and privately owned cars. I have said that the highway runs almost parallel to the railway, and our experience is that Mr. Owner leaves his home to go up to town, stops right opposite the station where passengers are waiting to board our train, and invites one or more friends to ride with him, sometimes as many as five or six. The result is that they are taken into Quebec, as I understand it, without any remuneration to the owner of the car, but at the same time the railway is deprived of its legitimate revenue.

There is another thing I should like to point out with regard to the operation of these auto buses. You gentlemen all know that the railway companies have to file their tariffs with the Board of Railway Commissioners. We are obliged to issue commutation tickets which are at a very low rate per mile. The handling of commuters every day requires a very extensive train service, but when it comes to the passenger travelling at odd times, he takes the bus instead of the railway. So that our average

revenue per passenger is low because while we get, I should say about 80 per cent of the passengers who travel on commutation tickets, the auto bus gets the big fare every time. The auto bus will not handle the commuter at such a low rate; it would not pay them to do so. There does not seem to be any law requiring him to take care of the commuter, whereas the railway is compelled to do so.

I think, Mr. Chairman, that is about all I have to place before the Board, but I shall leave this statement with you. I may add, however, that from one brick factory alone, located about seven miles from Quebec City, approximately 4,500 truck loads of brick were shipped last year, which would represent about five million bricks. We did not handle a single car load of brick from Boischatel to Quebec; the only bricks we carried were those that were shipped a considerable distance. You will notice in this statement that in 1931 we handled 746 carloads of bricks as against 2,944 carloads in 1927.

THE CHAIRMAN: Have you anything to add, Mr. Taschereau?

MR. TASCHEREAU: That is our case, Mr. Chairman.

THE CHAIRMAN: Mr. Belleau.

MR. NOEL BELLEAU, K.C., (Legal Adviser, Chamber of Commerce, District of Levis): Mr. Chairman and gentlemen, on behalf of the Board of Trade of the District of Levis I have pleasure in introducing to you its president, who has a brief to file before your Commission -- Mr. Weyman.

MR. H. E. WEYMAN: Mr. Chairman, would you prefer that I read this brief, or simply file it?

THE CHAIRMAN: Perhaps you had better read it, Mr. Weyman.

MR. WEYMAN: We desire to submit the following:

This Chamber of Commerce which covers the whole south shore of the harbour, comprising some 30,000 population, believe it desirable in the interest of the public of the district to place before you their views on the present transportation situation, particularly so as the established railway systems of Canada together with the highways are the principle source of taxation on the public of Canada and the people of this district. The present situation in which the transportation of the country finds itself is practically in its infancy and likely to become, if it is possible, more serious in the near future.

We, therefore, submit the following as our opinion:

1. The continuance and extension of the railway systems is vital for the growth and development of Canada and no other form of transportation can replace it.
2. Commercial motor vehicle bus and truck transportation is rapidly becoming a serious menace to the continuance of the railways which can only result in further increased taxation.
3. Canada and all sections can continue to thrive and develop without commercial motor vehicle transportation outside of towns, cities and communities.
4. Highways throughout every province in Canada have been developed primarily for the benefit of the private automobile and tourist traffic, with no idea of using the highways for commercial purposes.
5. Commercial motor vehicles are, in most cases, not subject to the common carrier law which the railways are compelled to observe.

6. Commercial motor vehicles operate at their own discretion without control or interference by anyone and furnish such facilities as appeal to themselves only.
7. In most cases, commercial motor vehicles are not required to file or observe schedules of their service and may operate or refuse to operate at their discretion.
8. Commercial motor vehicles are permitted to charge any kind of tolls they choose and are not required to levy such tolls with equity and can discriminate at their own discretion.
9. The commercial motor vehicle is not required to furnish land for its right of way or to build its right of way and does not contribute in any near proportion to the exploitation and use of the highways.
10. The commercial motor vehicles pick up their loads at the door of the shipper and deliver at the door of the receiving agencies, as compared with the railroads who receive freight at the depot and deliver to the depot, which requires the shippers or receivers to pay additional charges for transportation to and from depot to final destination.

SUGGESTIONS

1. All provinces to adopt a uniform commercial motor vehicle law and regulations.
2. Such a uniform law to give complete control of commercial motor vehicles of all kinds, such control to include rates and service, full liability of all service performed and full financial responsibility for accident and damage. In all ways similar to the obligations which the railways are compelled to

assume, thereby placing the motor vehicles on the same basis and on a parity with the railroads.

3. All commercial motor vehicles to maintain a uniform standard classification of accounts, authorized by all provinces and make an annual return to the provincial governments on such form of classification.

I might say here that the regulations of the railways compel this.

4. It shall be illegal for any commercial motor vehicle to operate without a permit founded on necessity and convenience.
5. All tolls and charges made for transportation by motor vehicles of any kind must be not less than twelve per cent higher than the basic railroad rate. For example, basic rail rate being 3.45 cents per mile per passenger, the motor vehicle rate will then be not less than 4 cents per mile per passenger. Similar per cent being applied to the haulage of freight.
6. All passenger automobiles used for hire, in most cases termed as taxis, to be considered as a commercial motor vehicle and subject to the commercial motor vehicle law and their operation restricted to the city, town or communities in which they are licensed. In the event of them being hired occasionally for transportation between communities, their charge should not be less than \$2 per mile, in order to place them on the same basic principles as other forms of transportation.
7. No commercial motor vehicle of any kind to be permitted to carry passengers or others without being authorized to do so by certificate.

This Chamber of Commerce believes that a great deal is to be feared from political influence and interference especially at centres which predominate in the number of deputies as compared with other sections of the country, together with pressure from self-interested groups and individuals, all in reference to the transportation problem of Canada and which have been the cause of locating grain elevators and various other depots and facilities, from which sources arise the transportation traffic of the country, in locations without regard or consideration to the economical and geographical situation and it is considered that such political influences must be removed entirely.

We respectfully submit this memorandum as suggestions for the consideration of the honourable members of the Commission and we are of the opinion that the railway and commercial highway problem can be scientifically and justly solved if the provinces of Canada will join and cooperate together without fear or favour and without giving consideration to political influence or pressure from self-interested groups or individuals.

THE CHAIRMAN: Mr. Vien.

MR. THOMAS VIEN, K.C.: My lord and members of the Commission, I am appearing on behalf of the Canadian Electric Railway Association, the Provincial Transport Company, the Ontario Motor Coach Operators, and the Montreal Tramways and its bus services.

We have received notice that a hearing will be held in Montreal to-morrow but unfortunately I will be detained in Quebec to-morrow, and I thought it my duty to seek the privilege of appearing before you to-day with a view of assisting the Commission to whatever extent I could on

behalf of the various interests which I have the honour to represent. We have received rather short notice; and this is not by way of criticism of the action of the Commission, but in order to explain that we are not ready to-day to present to your Commission in full the representations that we desire to lay before you. We have not been able to get together the necessary statistics and data to substantiate to the full the submissions which we propose to make. Statistics have not been kept as accurately as might be desired. Your lordship and members of the Commission will appreciate that the good roads policy was inaugurated in this province only in 1912. At first it was by way of subsidy or money grant to the municipalities in the improvement of their highways. After that the Government undertook the construction and maintenance of the system of highways at the expense of the province. Later again all the improved highways of the province were taken over by the provincial Government, and their upkeep also was assumed by the province. Therefore it is difficult, without a great deal of work and much research, to get the information necessary to show you the cash investment of the state in its highway system and the maintenance thereof. However, these figures will be submitted; and we shall try to show also what the Government receives from the various interests which are using the highways and which are paying taxes to the Government, by way of indicating how much there is in the propaganda which is being carried on by various interests to the effect that the railways had to provide out of their own resources the cash investment necessary for their right of way and its maintenance, while the motor cars, motor buses and trucks were given a free right of way which they were freely using. We

think that that propaganda, which has been carried on for the past few months, is not well founded and does not give a true picture of the situation. We shall make the submission, supported by accurate data, that the statement that the railways have paid for their right of way while those engaged in motor transport have received a free right of way is inaccurate on two grounds; first, that the railways have received by way of cash and land subsidies huge sums of money which the motor transport industry has not received, because its cash investment has come entirely out of its own pocket and not from the public exchequer, whether federal, provincial or municipal; second, that the motor transport industry in every form of its activities has to pay its way through, and pays in the way of taxes large sums of money altogether out of proportion to the percentage of its net earnings, cash investments or operating expenses, in comparison with the taxes paid by the railways. This will be the general line of our submission in respect of the fundamental principles which have been thus far urged before the public with a view to showing that this competition is altogether unfair and unreasonable, and should be curbed.

In the next place we shall try to establish that the motor bus and the motor coach is an infinitesimal factor in the motor transport competition that has been complained of. May I be permitted, just offhand, to quote a few figures? In the year 1930 in the province of Quebec, 175,000 licenses for motor cars of all kinds were issued by the provincial government. Of that number, 524 represented motor bus or motor coach licenses. We shall in our submission and in the statistics in support thereof lay before your Commission statements made before the Interstate Commerce Commission

by high officials of the railway companies in the United States during the course of the inquiry of 1930-31 to the effect that the bus and coach competition represented hardly 2 per cent of the passengers using the motor cars in competition with the railways. I think we shall be able to demonstrate to you that the motor bus and the motor coach is a negligible quantity in the competition suffered by the railways. The real competition comes from the private car and from the truck. But is there any power in the world, political, administrative or otherwise, which will say that we should reverse gears and stop the use of motor cars in favour of the railways? When the railway was first brought into use it came into competition with the mail coach and the horse driven stage, and there was the same campaign against steam railway operation as there is in respect of motor transport now. Many amusing incidents are related in connection with the objections offered at that time to the operation of the steam railway. I am sure Lord Ashfield will readily recall the strenuous opposition that was made not only to the payment of subsidies but to the granting of charters to the railway companies in England.

LORD ASHFIELD: It was long before my time, I assure you.

MR. VIEN: It was in 1831, I think, that the first charter was granted. Be that as it may, it was urged that the railway would destroy the fox covers, that it would be detrimental to the farming industry, that it would in many ways disturb the established order of things. But the wheels of progress had to move, and the result was that the railways were established and came to serve a useful service in the economic and industrial development of the

country. But to-day even further advances have been made, and it is impossible to stop the development of the motor industry in all its phases. Therefore we submit that it would be quite impossible to reverse gears and to prevent the use by the people of the country of motor vehicles, whether they be trucks, motor cars or motor buses.

We think, Mr. Chairman, that we shall be able to show that it would be to say the least highly undesirable to suggest the imposition of confiscatory taxes -- taxes that would involve such a burden as to put out of business the motor transport industry. The motor bus did not come illegally into this country. The laws of the land provided the highways, provided the motor vehicle acts, and vested in the government the power to issue licenses to motor vehicles of all kinds. I cannot think, therefore, that it is in the mind of anybody that steps should be taken to spoliate the vested rights or to impose heavy burdens which would be tantamount to confiscation. These services were established at the request of the people, and they are extremely flexible; they carry service to the door of every customer. I repeat that the damage to the railways in the way of competition comes not from the motor bus but from the private car. And the private car cannot be done away with; it will go on. It is not within my instructions, sir, but I suppose it is not beyond the limits of propriety to say that in my opinion the railways might have been more farsighted. Why did they not take control of motor transport so far as public services are concerned? On the other hand, if it was the part of wisdom that they should not enter into any such subsidiary services, can they complain to-day if other interests stepped in and

served the public as the public wanted to be served? Now that licenses have been issued under the sanction of the law and under the authority of the administrative bodies of this Dominion, and interests have been invited to invest in these services, it is the duty of all those who have to deal with the matter to see to it that these vested rights and vested interests are adequately protected.

There may be a number of ways in which the railway problems of this day can be solved. Railway development has taken place in Canada to an extent that is not justified by the increase of our population or the development of our economic resources. From 1905 until 1912 or 1913, when we were building railway mileage apace, it was in the anticipation that the population of Canada within fifteen or twenty years would be fifteen or twenty millions. But the war came, and then the aftermath of the war, and subsequently the economic crisis of 1929, which stopped us, as it stopped the rest of the world, in its march onwards towards progress and prosperity. If no such disturbances had taken place and we had a population to-day of twenty or twenty-five millions of people, I believe our present railway mileage would be justified. However, these problems are with us; they are of great magnitude and their solution is of importance to the welfare of the country. But is the solution to be at the expense of other reputable interests? Or is it to be in the coordination of the railway services themselves? For instance -- if I may be permitted to make the suggestion, sir -- I cannot see why the express services could not be merged. Why should there be two express companies, and why should there be in various cities and towns two express offices and two delivery vehicles to

serve the people of a given community? Why should there be a duplication of overhead and fixed charges? And in respect of the telegraphs, the terminal facilities, the repair shops and the passenger services, why should there not be some way of merging these together with a view to eliminating duplication, avoiding unnecessary expense, and thus going a long way towards solving the problems with which the railways are to-day confronted? However, this aspect of the problem does not concern us directly; but I suggest, my lord, that having regard to the public interest the remedy would seem to lie in that direction rather than in the spoliation of other vested interests.

I would therefore ask, my lord and members of the Commission, that we be permitted, on behalf of the Canadian Electric Railway Association, the Provincial Transport Company, the Ontario Motor Coach Operators and the Montreal Tramways and subsidiary interests, when we have had time to collect and coordinate the necessary data, to appear before your Board and present it in the form of a submission which we hope will be helpful to you in the determination of the matters that you have to consider. We should like to file a submission with your Board and also be heard orally, at a time and place which will meet your convenience.

THE CHAIRMAN: About when would you expect to be ready to present the memorandum?

MR. VIEN: We will be ready to file a memorandum with your Commission on the 15th of February or any time thereafter, and at any place in Ontario or Quebec; we shall at the command of the Commission be ready to appear.

THE CHAIRMAN: We shall be very glad to have the

memorandum, Mr. Vien.

MR. VIEN: I may say, Mr. Chairman, that I am also acting as counsel for the Association of Bus Owners of the province of Quebec. Doctor Beaudet, president of the association, has prepared a memorandum which he wishes to submit to the Commission, and he would like to have the privilege of reading it in French.

THE CHAIRMAN: We shall be glad to hear from Doctor Beaudet.

(Doctor J. Beaudet, President, L'Association de Propriétaires d'autobus, district de Quebec, read a statement in French, of which the following is an English translation):

It is with great diffidence that I have agreed to submit for the serious consideration of this important Commission some considerations bearing upon the problem of motor vehicle transport in this province, which is one of the most important factors of prosperity.

Transportation by motor vehicles:

From every point of view the development of a whole country depends on the progress of its transportation facilities. Due to the fact that it would be much too long and tedious to relate the history pertaining to the omnibus, sail boats, steamboats, equipped with side wheels, etc., I will leave this subject aside. The railroad has helped considerably the development of Canada, and particularly of the central provinces.

The automobile has also been an important factor in the progress of each province of the Dominion and specially for the territories where the railroads had no access. Then the necessity of building spacious and efficie .: highways

became imminent to each of the governments, in order to facilitate to the public the use of this vehicle, bearing in mind that the general demand was then: "Let us build good roads, so that we can carry our products to the market more easily." The number of motor vehicles in Canada has increased with an unusual rapidity, to such an extent that we have now in the province of Quebec, according to the figures submitted by the Department of Provincial Registration, 182,000 motor vehicles, while in 1921 we had 54,670 and in the year 1911 only 1,878. The provincial government of Quebec, following with great interest the evolution of this method of transportation, and in the face of this increasing number of motor vehicles, in order to meet the situation has undertaken the building of spacious highways; and I take pleasure in submitting you the following schedule, based on the report produced by the Department of Roads:

Total Mileage of Rural Routes Permanently Improved

(Highways and Municipal Roads)

' Statement dated October 1st, 1931

Sand and clay	242.91	miles
Gravel roads	12,590.03	"
Macadamised	1,486.59	"
Bituminous macadam	234.30	"
Concrete	129.29	"
Bituminous concrete	405.66	"
Total	15,080.18	"

Mileage of improved earth roads . . . 20,673 "

We have 15,000 miles of roads the condition of which has been improved in a permanent way (highways).

We have also 20,673 miles of improved earth roads.

We have now in this province very good roads, and by means of 182,000 motor vehicles, the population of our province travels more with these vehicles than with any other method of transportation.



As our population is at present 2,869,793, according to the report of the Statistical Offices, we have the proof that the majority of our population is composed of people who do not own an automobile, and considering the fact that a good number of our villages do not have the advantage of a railroad service, the transportation of passengers by buses has become a necessity, in order to accommodate all the population of this province.

This new way of transportation was put in operation about ten years ago. Here, as everywhere else, this system has slowly progressed, with more or less comfortable vehicles. Small companies for this purpose have been formed, making a serious competition with each other. The Government of this province, admitting the necessity of the autobus, regularized this system of transportation by vesting in the Public Service Commission the authority with respect to these operations. Since five years no autobus service can be operated without holding a permit to this effect from the Public Service Commission. Before being able to obtain such a permit one has to prove to the Commission the necessity of the service to be put in operation. The bus also has to be approved by the inspector of the Commission. In other words, the transportation system by buses is legally existing in our province. Railroad companies, although advised by the Public Service Commission of the formation of autobus companies in their territories, have never objected before that Commission.

Importance of the Autobus Companies in the province of Quebec:

Since about ten years, sixty of these companies have been formed in this province and according to report dated

December 29, 1931, submitted by the Revenue Office of this province, we had 575 registered autobuses. If we average the cost of each machine at \$7,000 we have an invested capital, for purchasing only, of \$4,025,000. If we add to this amount the price of the garages, for storage purposes, keeping, administration expenses, etc., we easily form a capital of \$5,000,000, without any exaggeration.

These various autobus companies operate a service for the whole population of this province on an area of 4,890 miles of roads.

Up to July, 1931, the railroad companies had absolutely no autobus; since that date they have two in operation for the whole province.

The necessity of this transportation system really exists in this province, which is proved by the fact that these companies have been formed to answer the general demand, otherwise they would not have been formed and they could not have maintained their operations. It is a fact that an evolution of transportation modes has taken place in this province as anywhere else and that the Interstate Commerce Commission was right to insert in its report the following paragraph:

"Transportation of passengers and property by motor vehicles over the public highways is a well established, useful and permanent factor in the nation's transportation system."

Security of the Passengers in the Buses:

In spite of the fact that the bus circulates on public roads, among a considerable number of other vehicles, though it has not a way as clear as the train or tramway, this transportation system is nowadays considered most comfortable and very useful, and the passengers are as

much in security in the buses as in any other vehicle. According to the statistics of the United States, 1929, one out of 1,718,389 passengers transported by buses has been killed.

In Canada, according to steam railways statistics in 1929, only one out of 2,000,000 transported by railroad has been killed.

In the province of Quebec, according to statistics published by the Department of Roads, in 1931, we have had 10,340 automobile accidents, figuring: 184 at railway crossings, 109 collisions between trains and automobiles, 751 collisions between tramways and automobiles. In these accidents, 3,033 persons were injured and 263 killed. Not even one of these accidents causing loss of life can be attributed to the autobus.

After considering the above statistics, we must admit that the report of the "Motor Vehicle Transportation" at a meeting held in Washington in 1930 did not exaggerate in mentioning: "There is no class of motor vehicle passengers so free from the hazards as those occupying the motor vehicle engaged in the public service."

Competition:

The above mentioned facts and statistics clearly show that the principal competitor of railroads is the private automobile and, secondly, the motor truck. There are two different classes of travellers: For very long trips it is much better to travel by railroads, due to rapidity and comfort. For journeys of short distance the autobus is preferable and superior to the railroads, considering the advantage of departures and stops at any place. However, the travelling class of people is not the biggest part of the population, owing to the fact that



only a small part of the population travels by railroads or autobus. According to the "Steam Railway Statistics" at the end of the year 1929, we had the following numbers of passenger waggons:

First class waggons	2,000
Second class waggons	386
Mixed waggons	512
"De Luxe" waggons	313
Pullmans	<u>1,172</u>
Total	4,383

According to statistics published by the National Automobile Chamber of Commerce of Washington, we find that there were only 1,625 buses in operation in Canada, in 1931:

Autobus	1,625
Motor trucks	166,745
Automobiles	<u>1,055,796</u>
Total	1,224,166

If we compare these figures, we have in this country:

One autobus for 650 private motor cars
One autobus for 102 motor trucks.

Considering the fact that the whole population of Canada is 10,353,778, we have one motor vehicle for every eight persons.

By these statistics we can see that a bigger proportion of people travel in private automobiles and that it is absolutely impossible for the railroad companies, in Canada, as well as in United States and in other foreign countries, to fight this competition made by private vehicles.

However, the transportation system by autobus has rapidly progressed in the province of Quebec, by giving to the population a service that the railroad companies could not possibly give, if we consider the fact that the public has a right to choose the way it wants to travel. This is a result of the modern progress. This is also the reason



why Mr. Thomas G. Woodlock, member of the Interstate Commerce Commission, mentions the following paragraph in his report to the "Wall Street Journal":

"Neither regulation nor taxation may be fairly used
"to subsidize or to hamper any of the competing forms,
"by attempting to equalize natural inequalities. Each
"of these systems of transport is entitled to such
"natural advantages as it possesses and each must put
"up with its disadvantages."

And here is the opinion of Mr. Fairfax Harrison, President of the Southern Railroad, at a meeting of the stockholders at Richmond, Virginia, October 13, 1931:

"From the passenger angle our chief loss is from
"privately owned automobiles and not from buses."

Mr. John F. Deasy, Vice-President of the Pennsylvania Railroad, appearing before the Interstate Commerce Commission in Washington, on March 4th, declares:

"The fact that the revenue from passenger traffic
"fell down from \$184,000,000 in 1923 to \$134,000,000
"in 1929 is due to the constantly increasing use of
"private automobiles."

The bus is undoubtedly useful and necessary. I do not mean that this should be broadcast on the radio, as certain railroad officers do "Go with or without railroads" but we have to be up to date, we have to evolve according to the needs of the public.

One of the biggest objections brought up by the railroad officers against the buses in the province of Quebec is the climate. We have practically the same climate in Canada as in several parts of the United States, namely; Minnesota, Dakota, and specially the northern parts

of the United States, where the hard climate did not prevent the progress of prominent American railroads.

I am submitting the names of a few railroad companies with the number of buses each one has in operation:

Athison, Topeka and Santa Fe	60	autobuses
Missouri-Pacific	264	"
Pennsylvania	200	"
Union Pacific	351	"

According to 1931 statistics, the number of buses in circulation in the United States is 95,400.

Conclusion: the bus exists and will necessarily exist.

Subsidy:

Another of the arguments brought up by the railroad officers against the buses is that the bus does not pay anything for the construction and keeping in good condition of the roads compared to the expenses incurred by railroads.

According to Mr. Thomas MacDonald's testimony, Chief Engineer of Public Highways in United States, when speaking before the Interstate Commerce Commission, (Doc-
ket 23400):

"In my judgment, the heavier trucks and buses, by "the high tax which they are paying, and particularly "through the collection of gasoline taxes, are fully "meeting all excess costs of construction due to the "increased thickness that is made necessary by the "heavier loads. We would be building the roads just "as wide and just as thick if there were no common "carrier buses."

According to American statistics, in 1930, each bus has paid a tax amounting to \$783.32. In this province, as well as in the other provinces, we have about the same

taxation for registration, gascline, mileage, and each of our buses pays to the government, in this country, about the same tax as in the United States.

The bus then pays a large part of the construction and keeping of our roads and still this is not the only kind of vehicle in circulation on the public highways.

You know much more than I do about what amount of money this country has spent and still spends for railroads, and this will enable you to compare the expenses incurred by this country towards each of these two transportation systems.

Conclusion:

The railroad is undoubtedly our most important system of transport and deserves the best consideration on the part of the public and of the government.

Transportation by buses also has its usefulness.

Every campaign against the railroad should be stopped, and the same thing applies to the bus.

MR. VIEN: We will file copies of the submission in English and in French.



THE CHAIRMAN: Mr. Blanchet, President of the Railway Employees Association of the Province of Quebec, desires to be heard. Mr. Blanchet.

MR. H. O. BLANCHET(President, Railway Employees Association, Province of Quebec): Your Honours and gentlemen, on behalf of the railway employees of the province of Quebec I have the honour to submit the following memorandum. I may explain that this memorandum is to be submitted to the Premier of the province, and we are expecting to have an appointment with him any day, but in the meantime we did not want to lose the opportunity of appearing before this Royal Commission.

To the Honourable Mr. L. A. Taschereau,

Prime Minister of the Province of Quebec.

Honourable Sir:

In addition to the memorandum presented herewith, which has been endorsed by the various associations of railway employees affiliated with our organization, we desire to bring before you the following considerations which deal with the matter of truck and bus competition, more particularly from the standpoint of the railway employees and the general public.

During the last decade the progress made in the improvement of highways has resulted in an enormous increase in the number of privately-owned automobiles, motorbuses and trucks; the activities of which have deprived the pioneer organizations of transportation of such a volume of traffic that, coupled with the existing depression, the railway companies are considerably handicapped as a result of the competition afforded by the provincial highways. The large

capital placed in these organizations by the Canadian people are also seriously affected and the Nation will undoubtedly be called upon to cover the lack of necessary revenue in connection with their exploitation, and to meet their fixed charges, with the result that additional taxes will be imposed upon them.

In addition, the fact that these legitimate sources of revenue are taken away from the railway companies, specifically since the last three years, forces the latter to effect reductions in their train services (both passenger and freight), resulting in a multitude of employees in these services being deprived of their livelihood, with an equal increase in the number of unemployed. This competition does not only affect train employees, but it is also the cause of closing of agencies, shops, offices, elimination of superintendencies and their entire staff, in addition to reductions in the number of employees of various crafts and clerical forces.

Normally, there are in the province of Quebec alone over 50,000 persons employed by the railway companies. It is generally admitted that each is the support of at least five persons, representing not less than 250,000 souls, or one-twelfth of the total population of the province directly interested in the railway transportation, and we have reasons to believe that, in this province of Quebec, it represents at least 150,000 electors, without taking into consideration the relatives and friends of railway employees, who have at heart the latter's welfare.

In addition, the railway companies are large consumers of large kinds of materials and provisions; their

annual purchases figuring approximately \$250,000,000, of which all the provinces largely benefit, and particularly the provinces of Quebec and Ontario, with the exception of coal. They are, therefore, the most important supports of the Canadian industry. A study of the existing conditions in those industries which, as a rule, supplied the required materials to the railway companies will reveal the disastrous effect the decrease in the latter's revenue has on them, and to quote but a few of those industries, let us consider the actual situation in locomotive and car building shops, steel works, bronze, coal mines, sawmills, forest products in general, paint manufacturing plants, etc. etc., which are directly affected by the reduced purchasing power of the railway companies.

It is a well known fact that charges in connection with railway operations are much higher than those covering autobus and truck transportation, in that the railways are obligated in the first place to secure rights of passage, then proceed with the construction of embankments and costly bridges to lay their rails, in addition to the maintenance of the latter in perpetuity on a varied width (generally not less than hundred feet) as well as their responsibility towards adjacent land-owners in connection with ditches, fences, culverts, private crossings, etc. etc., which the public is not called upon to contribute to; whereas in the case of motor bus and trucks, the provinces, with the assistance of the entire population's monies (including the railway companies) do not only share in the cost of highway construction but also in their maintenance.

Autobuses and trucks are causing more damage and

consequently additional highway maintenance; the owners of these services do not, however, seem to be called upon to bear the cost of this extra maintenance created by their operation.

It also seems that the majority of these vehicles are licensed to carry a certain number of passengers or quantity of freight, but the number and quantity specified on the licenses are frequently exceeded, and, therefore, the owners take advantage of privileges for which the provinces are not compensated.

The staff employees in the operation of autobuses and motor trucks are not governed by any regulation whatsoever, such as maximum number of working hours per day, number of employees per vehicle, vision and hearing examination, so as to insure to the drivers of these vehicles, as well as those making use of the national highways, a reasonable degree of safety which the increase in the number of automobiles (privately owned) and other various special services require, as it is evident that if a driver has to work twelve, fifteen and even eighteen hours a day, he is liable to fall asleep at the wheel; that the driver has sufficient to attend to in conducting his automobile in a safe manner for its contents and those he meets, without being called upon to also keep an eye to the contents of his car, make collection, deliveries, etc. Therefore, at least, two men should be required in charge of each autobus and motor truck service effecting transportation on the provincial highways, and the drivers thereof should also possess a reasonable degree of vision and hearing acuity.

We therefore feel that the Public Utilities Commis-

Commission of the province of Quebec should have sufficient authority to regularize these modes of public transportation and remedy this condition, and also to exact and insist upon each company submitting a statement showing the annual interest on the capital invested in each of these transportation organizations, the depreciation, cost of operation revised on the above lines, maintenance cost, including insurance on the equipment and contents (passengers and freight), and disapprove all tariffs covering transportation of passengers and freight which would not sufficiently cover all charges contained in the statement referred to, plus a reasonable percentage of profit; this to protect their owners against loss of money and eliminate possibilities of such losses to their suppliers on their part.

It is not our intention, Mr. the Prime Minister, to place before you the situation affecting the railway employees only, but we wished to explain in what manner it also disastrously acts upon the industry of our province, and knowing your spirit of justice as well as your interest in the progress of our dear province, we are convinced that you will seriously consider our appeal and the general situation resulting from the unfair highway competition and that you will, as you have done in establishing the law governing sale of liquor in our province and in several other instances, remedy the situation in correcting this unfair competition, thereby adding to your already numerous merits that of having inaugurated a law which, we have no doubt, will be followed by its adoption in all the provinces of the Dominion of Canada, as was done in connection with several others.

Request from railway workers to the Quebec Provincial Government, and which is now submitted to your honourable Commission.

- A - Higher License fees for trucks and buses.
- B - Five ton limit for trucks.
- C - Entire abolition of trucks with tow cars unless brakes are 100 per cent efficient.
- D - Establishment of freight delivery stations in cities and villages and complete elimination of home delivery.
- E - Speed limits to be complied with; if not, have a fine imposed or license annulled.
- F - Special tax based on weight of trucks and buses.
- G - That no trucks be allowed to operate on our regional roads between the hours of 7.00 a. m. and 7.00 p. m., such as exists in certain States of the American Republic.
- H - That owners of trucks be held responsible for merchandise or any other material they carry and while in their custody.

Highway Competition.

We make these suggestions:

1. Those who use the highway for commercial vehicles should pay a tax or impost consistent with the use so made.
2. Width, weight and speed of commercial vehicles should be such as to permit the free and safe use of the highway by other users.
3. Those into whom the movement of freight and passengers upon the highway is confided should be subjected to that physical examination that will protect passengers confined into their cars and other users of the highway from

accident.

4. Rates charged for the movement of freight and passengers should be subjected appropriately.

With the establishment of such regulations, competition becomes fair and the railways will have to take their chance.

Local Communities affected.

Dislocation of business formerly conducted in local community. The trucks are largely responsible for driving the local merchant in the smaller communities out of business and centralizing the retail distribution of merchandise in the larger centres, thereby adding to the ranks of the unemployed persons who are formerly employed in retail stores in the smaller communities.

Statement of Facts.

Truck and bus competition with railways.

1. The greater competitor to the railways in the matter of earnings was the truck which accounted for \$22,000,000 in freight revenues last year. Buses only accounted for \$4,000,000 of the loss last year, but the private passenger vehicles, it was calculated, took away \$13,000,000 of the railroad earnings.
2. Buses can move passengers across the continent on a three cent passenger mile rate, as long as they can average ten persons per bus mile and meet in rate their competitor. The truck is a low cost operator in terminal operations, but an excessively high cost machine in the road haul movements. This places a limit in the distance it can move freight in competition with rail rates. There is no doubt that considerable of the profits the trucks are making in the short

haul field are being dissipated in moving goods at greater distances than they can afford under rail competition.

3. Trucking operations. Bus operations are carried on practically without regulatory restrictions. Any individual with sufficient funds to make down first payment on a truck and to pay the license fee, can, in general, go on the highway and operate as a common carrier.

4. Careful estimates of the tonnage moved by contract and common carrier trucks have been made for the year 1930. The result of this showed 1,400,000 tons as the tonnage moved by these trucks. This traffic probably produced a revenue of \$8.00 per ton for the truck. On this basis the total earnings for 1930 would be \$11,200,000. It is impossible to get any measure of the tonnage formerly enjoyed by the railway and now moved by the private truck, but on the assumption that it would be about equal to the common and contract carrier's tonnage, which seems reasonable, the railways of Canada sustained a loss of \$22,000,000 in freight revenues during 1930, adding to this \$17,000,000 in passenger losses would make a grand total of \$39,000,000 lost by the railways. The total Canadian railways' revenues for 1930 amounted to \$450,000,000 so that the loss of the highways was about 8.7 per cent of the gross.

5. The provincial governing bodies are cognizant of the fact that highway demands and expenditures are greater than the income for such purposes, and that the highways are not being paid in any appreciable degree by their users. In other words, the trucks and buses are not paying for the use of the public highways even where the use is for personal gain.

6. At present, there are in Canada 184,000 miles of improved railways. It is calculated that this highway has or will cost the people of Canada \$900,000,000 when paid for.

New construction is going on at the rate of about \$70,000,000 a year. An examination of highway requirements and expenditures for 1930, and they are not materially different from previous years, will set out the deficiency in highway financing.

Cost of highways in 1930

Interest on investment at 5 per cent	\$ 45,000,000
Depreciation at 2 per cent	18,000,000
Yearly maintenance	70,000,000
True cost for 1930	133,000,000

Actually spent in 1930

Maintenance	\$ 23,000,000
New construction	70,000,000
Total	93,000,000

Source of money spent in 1930

Revenue from highway vehicles	\$ 43,000,000
General taxes and sale of securities	50,000,000
Total	93,000,000

From the above it will be readily seen that to meet the yearly cost by direct user-taxes, would require \$90,000,000 in addition to the \$43,000,000 already collected.

The railways are at present subject to regulations and tariffs issued by the Board of Railway Commissioners. Whereas, the motor trucks and buses using the public highways of the province as common carriers are not subject to any tariff respecting rates, and the regulations respecting

the use of the highways are openly violated.

As interested parties whose revenues are being depleted by the sale of transportation over the highway at a price of less than cost, we should, in our opinion, do all in our power to ensure that the users of the highway pay the total cost of the facility provided for them. This may mean that heavier vehicles should pay between \$500 and \$1,000 per year for their highway privileges. In addition, a fee should be charged for the use of the highway when used for personal gain. It is our right as a railroad to demand this as it is an individual's to demand that these vehicles be operated on the highways in a safe and sane manner. Over-loading should be stopped; the overloaded truck is a menace to other users of the highways. The use of trailers should be discouraged on the ground of safety, and drivers should not be permitted to work longer than 8 to 10 hours. With such safety regulations and taxation as outlined above, and our regulatory conditions removed, the railroad can take care of its own interests. We should determine the economic field for the highway vehicle and not offer any serious competition within this field, but if the truck attempts the movement of goods beyond its economic range, we, by all means at our command, should meet such competition.

Resolution presented to the Honourable
Prime Minister regarding the tax-
ation and regulation of buses
and trucks.

Whereas, bus and truck lines are competing with the railways handling both passenger and freight shipments and are permitted to operate upon the public highways which are maintained by the tax-payers of the entire province without adequate regulation or restriction.

Whereas the lack of taxation and legislative restriction makes it possible for buses and trucks to carry passengers and freight at a lower rate than the railways can or are permitted to meet.

Whereas bus and truck lines only duplicate the service furnished by the railways and express companies.

Whereas in the early days of steam transportation, without regard to the ultimate effect, over-building of railways was common; resulting, in many cases, in useless duplication, placing a great burden upon the country, from which it is still suffering. History is repeating itself in the fact that bus and truck transportation systems are being allowed to create further unnecessary duplication.

Whereas railways are forced to operate under rules, regulations and restrictions as to operation and rates imposed by special legislation and administered by the Board of Railway Commissioners for Canada and the Quebec Railway and Municipal Board which ensure proper and adequate service to the country at large at a fair rate, and of necessity at an operating cost higher than would be necessary if the railways were not forced to give service in some instances at considerable loss. Motor buses and trucks should be placed under the control of the Board of Railway Commissioners or the Quebec Railway and Municipal Board and compelled to operate under conditions similar to the railways, as far as practicable, particularly with regard to regulation of rates etc., elimination of cut-throat competition, and regulation of working hours of operators.

Whereas motor bus and truck transportation systems are enabled to carry shipments at a rate lower than that of

the railways only because they are not paying their proper share of facilities of operation afforded to them, which are paid for by the taxpayers of the province, and such conditions can only lead to large losses to the railways, one of which is owned by the people of Canada and will and is resulting in the curtailment of railway operation to the detriment of the people and industrial life of the country, and will necessitate the railways imposing such higher rates on commodities, which because of their character can be carried by the railways only, and which will make rates in respect to certain commodities which are the necessities of life, such as coal and iron, etc. prohibitive.

Whereas we consider both harmful to the public and unjust to the railways and railway employees for buses and trucks to use the highways on terms with respect to legislation and taxation which exempt them from requirements bearing heavily upon the railways.

Whereas the operation of motor buses and trucks as well as trailers necessitate considerable maintenance cost on highways, additional highways and highways of greater width, and will continue to demand such additional facilities in order that the private motorist may use the highways with some degree of convenience and some measure of safety, and under existing conditions the huge expenditures necessary would be borne by the public at large instead of by bus and truck operators who make them necessary and who will derive a greater advantage therefrom.

Whereas buses and trucks without proper regulations and restrictions are permitted to monopolize streets within the boundaries of municipalities which are maintained entirely by the taxpayers of those communities, and suburban

highways and King's highways toward which direct heavy contributions are made by municipalities, and therefrom municipalities should be entitled to some fair compensation from bus and truck companies in order to lighten the tax burden which is becoming intolerable.

Whereas the ship-by-rail association of Quebec fully endorses the petition already sent to the Prime Minister of Quebec by the section of railway employees, Montreal, signed by Mr. Jules A. Dussault and presented by Dr. Poulin, M. P. P., dealing with the adverse effect upon railway employees of unfair competition of buses and trucks, and pointing out the necessity of railways to the industrial development and the progress and growth of the municipalities, and to the fact that railways are amongst the largest taxpayers in the country, and part of the taxes paid by them is used to permit and assist competition from buses and trucks on an entirely unfair basis.

We therefore request that the Legislative Assembly or your honourable bdy -- consider :--

1. The advisability of placing the operation of buses and trucks under the control of the Board of Railway Commissioners or the Quebec Railway and Municipal Board, so that they may be compelled to operate under conditions, particularly with regard to rates and hours, similar to those under which the railways are compelled to operate.
2. That taxation be imposed upon buses and trucks which will represent a fair proportion of the cost of maintaining existing highways, widening actual highways, and building new highways.
3. That a fair proportion of such taxation be paid to the

municipalities as a reasonable compensation for the cost of the creation and maintenance of paved streets within the boundaries of the municipalities to suburban roads and King's highways.

I thank you, gentlemen.

THE CHAIRMAN: Are there any further presentations, Mr. Moxon?

THE SECRETARY: I have no further names to give to your Lordship. I think you may take it for granted that there is nobody here that would care to be heard.

THE CHAIRMAN: If there is nothing more we will adjourn.

At 4.30 p. m. the Commission adjourned.

ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Court House, Montreal, on Thursday, January 14, 1932.

PRESENT:

RIGHT HON. LYMAN POORE DUFF, P.C., Chairman

RIGHT HON. LORD ASHFIELD)

SIR JOSEPH W. FLAVELLE, Bart.)

BEAUDRY LEMAN, Esq.)

LEONOR FRESNEL LOREE, Esq.)

WALTER CHARLES MURRAY, Esq.)

JOHN CLARENCE WEBSTER, Esq.)

Commissioners

Arthur Moxon, Esq., K.C., Secretary

PUBLIC MEETING

Representations were made to the Commission by:

Mr. J. Stanley Cook, Secretary Board of Trade

Mr. E.A.D. Morgan, K.C., Montreal Central Terminal Company

Mr. C. Ross Dobbin, Montreal Central Terminal Company

Mr. Seraphin Ouimet, Consulting Engineer; Legal
Proprietors of Montreal, and Montreal
Underground Terminal Company

Mr. H. R. Mallison)
Mr. Jacques Perron) Provincial Transport Company

Mr. W. M. Tuff) Quebec Motor Highway
Mr. F. A. Nancekiwell) Association

Mr. Graham Spry, Canadian Radio League

Mr. W. Flockhart Drysdale, M.E.I.C.

Mr. T. R. Kirkwood

Court House, Montreal,
Thursday, January 14, 1932

The Commission met at 10.30 a.m.

THE CHAIRMAN: Mr. Cook, Secretary of the Board of Trade.

MR. J. STANLEY COOK (Secretary, Board of Trade):

Mr. Chairman, we have a committee that has been working for some time on this rather large subject, but they are not quite ready with their memorandum, and I am instructed to ask the Commission whether arrangements can be made for a later hearing, in Montreal or Ottawa, as may suit your convenience.

THE CHAIRMAN: We shall be glad, Mr. Cook, to have your memorandum, and then if you wish to be heard there will be a sitting in Ottawa.

MR. COOK: We should like to present the memorandum and to be in a position to answer any questions that may be asked in connection with our submission.

THE CHAIRMAN: We shall be glad to hear it.

MR. E. A. D. MORGAN, K.C., (Montreal Central Terminal Company): Mr. Chairman, on behalf of the Montreal Central Terminal Company I should like to file a general plan and to request that at the convenience of the Commission a hearing be arranged later at which our Chief Engineer will be present. Our chief engineer formerly was Mr. Holgate and subsequently Mr. Williamson, of Washington, who for many years has been an expert for the I.C.C.

THE CHAIRMAN: I do not think we shall be sitting again in Montreal, Mr. Morgan, but we can hear him in Ottawa.

MR. MORGAN: It makes no difference, sir. I shall

file a plan and also the report; I will hand the latter over to the Secretary some time this afternoon.

MR. SERAPHIN OUIMET: Mr. Chairman, I would like to file a statement touching the railway problem in Canada, a history of Canadian roads and an analysis of their financial condition, with five proposed remedies.

THE CHAIRMAN: Whom do you represent, Mr. Ouimet?

MR. OUIMET: I represent the Montreal Underground Terminal Company and the Legal Proprietors of Montreal, and at the same time I have been under contract with the Montreal Central Terminals Company. I speak also for myself, because my submission deals with the question of transportation for the whole of Canada.

MR. MORGAN: Speaking as attorney for the Montreal Central Company, may I say, Mr. Chairman, that while the Commission no doubt will be pleased to hear Mr. Ouimet, at the same time we do not wish to be bound as a company in respect of anything he says presumably on our behalf. Mr. Ouimet was at one time a sub-engineer of our company -- of course that was some years ago -- and he still claims to represent us because he has a notarial agreement with us. However, I wish to make this reservation, that we do not want in any way to be held responsible for anything he may say, even if he purports to say it on our behalf.

THE CHAIRMAN: Very well, Mr. Morgan; that will be understood.

MR. OUIMET: I do not intend, Mr. Chairman, to go through the submission in detail, dealing as it does with railway history from an engineering point of view. I do consider that it is exceedingly important, however, that the members of the Commission should read the report which

I have prepared. I may add that my experience is the result of over twenty years' work on railways, having been engaged many times on railway tracings, on the Transcontinental and the Canadian Northern, and I think my submission may be useful to your Commission.

(Mr. Ouimet proceeded to read extracts from his brief, a copy of which was handed to the Secretary.)

(Page 1440 follows)

THE CHAIRMAN: The Provincial Transport Company,
Mr. Mallison.

MR. H. R. MALLISON(For the Provincial Transport Company): Mr. Chairman and gentlemen, I represent the Provincial Transport Company, comprising the motor coach operators in the province of Quebec. My object is merely to file an appearance before your Commission and to state that Colonel Vien made application to the Commission yesterday at Quebec for permission to appear at a later date, which application you granted.

THE CHAIRMAN: Very well. Now the Quebec Motor Highways Association, Mr. Tuff.

MR. WM. M. TUFF(President, Quebec Motor Highways Association): In representing this association, Mr. Chairman, I might state just what the organization is. It is an association of motor car, motor bus and motor truck operators who, with motor manufacturers, tire, gas, oil and parts manufacturers, distributors and dealers, believe in the necessity and efficiency of motor transportation in our present commercial and social life.

The Quebec Motor Highways Association beg leave to submit to you the views of their members in defense of the right of motor truck and bus highway operators as an essential unit in the general transportation problem in Canada, and, inasmuch as the views herein submitted are necessarily brief and of a general character, we beg leave to have your permission to make further submission of facts and figures in detail, to back up our views, which submission could be made separately by us, or jointly with the brief of the Canadian Automobile Chamber of Commerce, which, we believe,

will be submitted to you on January 19th next at the Provincial Parliament Buildings, Toronto, Ontario.

In the first place, we wish to state that we fully recognize the difficulties faced by the government and people of Canada, by the unfortunate position of our two great railway systems today, and we are not here to in any way minimize those difficulties -- however, in view of the fact that we feel that the steam railways have, during recent months been conducting, through the Press and by appearance before public gatherings, an energetic campaign against highway transportation, and in representing that a large proportion of their troubles was due to motor highway competition, we do feel that we would be less than fair to the operators of automobiles and trucks and buses, and to the public in general, whom they serve, if we did not defend the rights of this important branch of transportation in Canada.

Representations which the railways have made to your honourable body have, we believe, for the most part been made in camera, and, in view of all the circumstances in this connection, it is probably in the best interests of all that their statements should not be broadcast in public. We can, therefore, only assume that our railroad friends, in asking for relief from their difficulties, have adopted the same attitude to your body that they have in their recent public utterances, in which they have plainly intimated that motor highway competition has been responsible for a great deal of their loss of revenue. We cannot help but feel that our railway companies have over-estimated the facts in their public representations in this connection, and, lest the wrong impression may have been created by them with you, and

in government circles, which might incline you to consider unreasonable restriction of highway transport, we wish to place before you our views in this connection.

Throughout the world, and in America in particular, the development of highway transport of freight and passengers by public carriers has advanced considerably within the last seven or eight years. The ready public acceptance of this mode of transportation is, we believe, due to the flexibility of service thus offered to present day movement of commerce, which has not been previously available through the railways, and the public have been quick to realize the advantages of rapid door-to-door delivery, as against the slower and more complicated railway services on short hauls.

Many railways in the United States, and to a lesser extent in Canada, have recognized the value of motor transport to the extent of going into it either directly or through subsidiary companies, thus coordinating motor transport with rail transportation. The main point is that motor transport has become a practical necessity for the economical conduct of commercial operations, and the essential point is to decide under what regulation these operations should continue.

This same proposition of endeavouring to reconcile the proper operation and coordination of motor transport on comparatively short hauls with railway transport is facing our neighbors of the United States as well as Canada, and while some progress has been made in some States and provinces by way of limiting the permits to be issued to common carriers on the highway, and regulation as to operator requisites and insurance to be carried, to date no satisfactory system of control of rates has been evolved. There are many

reasons why some similar control should be exercised on highway operations as is in effect by the railways, though it seems to be the general opinion that rather than this regulation coming under the Railway Commission it can be best administered through provincial control, possibly in collaboration with the Dominion Railway Board. We trust that the deliberations of your Commission will see fit to make some suggestion in this connection which will be effective without being too onerous in its operation.

Important as motor transport has become in short haul transportation, it is still very small as compared to the transportation by railways, and in representing that the financial difficulties of the railways are in any way largely due to highway transportation, we believe gross exaggeration has been made use of. Statistics have been prepared by the United States Automobile Chamber of Commerce which show that even if the highways were used in motor transport to the fullest extent of their capacity, they would still handle less than 15 per cent of the country's total freight movement. As a matter of actual fact it is figured that at present less than 7 per cent of the total traffic is now hauled by motor truck in the United States, and proportionately this would be much less in Canada.

On the other hand, private automobiles on the highways have cut into passenger earnings of the railways to a much larger extent than either trucks or buses. All the while the railways have been slow to recognize this and have gone ahead blindly operating heavy passenger car schedules at great cost to their companies, and in many cases in needless duplication of each other services, in face of the evident

fact that the public prefer the more convenient movement by private automobile.

Unquestionably the railways of Canada as well as those of the United States are suffering from lower revenues, due to the present commercial depression. They are likewise suffering from an excessive payroll, based on schedules of wages built up in war time stress and continued by agreements with their working trades, which brings about a situation that cannot be borne by any other commercial industry. Their present efforts of reduction in rates of pay are rather belated but in the right direction.

We likewise believe that the two great Canadian railway systems have spent tremendous amounts in competitive rivalry, each trying to secure from the other system the traffic that the other was carrying, and the total amount of tonnage was not in any way increased thereby, but only resulted in "what was one system's loss was the other's gain."

We would also suggest that as a result of probable over-enthusiasm or inaccurate judgment there have been unfortunate and extravagant investments in connection with their expenditures in superfluous and unproductive steamships, and in the promotion of hotels and pleasure resorts.

We also submit that the railways have been slow in adopting improved methods of administration and operation which changing conditions make necessary in every industry, and that the continuance of red-tape methods and systems, built up by precedent over a term of years, is costing the railways considerable money, which in more flexible organizations would have been long since remedied with the changes in general conditions.

Altogether we submit that the position in which the railways find themselves is to a very small extent due to bus and truck competition; to a larger extent due to private automobile transportation; but mainly due to the other causes which we have suggested herein.

In some quarters there has been a tendency to attack motor highway operation, both as to private vehicles as well as trucks and buses, on the general basis that this method of transportation has not been paying its just proportion of the public expenditure in highway facilities for their use, and we are forced to say that some interests have gone to great lengths in building up a fabric of figures as to the cost chargeable against motor highway operations. Some have gone so far as to endeavour to capitalize every dollar that has been spent on roads -- motor or otherwise -- in Canada since Confederation, which on the face of it is ridiculous. Presumably we would have needed roads, and would gradually have improved our road systems even if no automobiles ever had come into the picture. So that all capital investment in all kinds of roads is hardly chargeable against the motor car operator.

The debenture debt of all the provinces in Canada on account of highways at the end of 1929 was \$288,900,000, and this would include considerable amounts by way of grants to county roads. Let us assume therefore that our total highway investment on account of motor vehicles is \$350,000,000, which would include all the provincial debts and leave a considerable amount for county road contributions. Annual interest at 5 per cent on this investment would be \$17,500,000; a further 5 per cent might be charged for

depreciation; and the actual amount spent on maintenance on provincial highways in 1929 was \$21,000,000. Surely those allowances are liberal enough and make a total annual cost of \$56,000,000.

The provinces of Canada collected in total revenue in 1929 from motor vehicles \$41,000,000, while the Dominion government collected for the same year in customs and excise revenue from motor vehicles \$26,000,000. This in no way refers to the value of the motor industry to Canada in general, which in automobile factories, in affiliated industries of parts, accessories, gas and oil and tire industries, together with garage and service station employees, give a total employment in Canada of approximately 70,000 people, with municipal, provincial and Dominion tax contributions, which these establishments and their employees make.

We therefore feel that on the face of it it would seem to be apparent that motor car, truck and bus operations are paying their way so far as highway expenses are concerned, as well as the fact that the motor and allied industries are a real asset to the commercial and economic life of the country.

As stated at the beginning of our submission, these views are given in a general way, and we should like to couple with them a further submission of facts and figures to back up these points, which we should like to arrange to give in collaboration with the submissions of the Canadian Automobile Chamber of Commerce, who we believe purpose appearing before your honourable body in Toronto on January 19th.

COMMISSIONER LOREN: How many chartered bus lines does your association represent?

MR. TUFF: I did not bring that down. We are affiliated with practically every oil and gasoline station.

COMMISSIONER LOREE: I am talking of chartered bus lines.

MR. TUFF: They are more or less acting separately through the Provincial Transport Company, represented by Mr. Mallison.

COMMISSIONER LOREE: How many are there?

MR. TUFF: In the province of Quebec there are probably 7 or 8.

COMMISSIONER LOREE: How many of them are paying dividends?

MR. TUFF: I have not had the privilege of looking at their books.

COMMISSIONER LOREE: To be frank with you, I have been wondering whether that was a very temporary mode of transportation, or whether it would be self-sustaining. I do not find that generally they are paying their expenses.

MR. TUFF: I would rather speak more for the Motor Truck Association. I can say that we have some very successful operators; they are paying their way and doing quite well. You will probably find there has been considerable talk about motor truck people getting traffic through the cutting of rates. It would rather surprise you perhaps to know that some motor truck companies now are getting increased rates over the railway charges on account of quick delivery.

COMMISSIONER LOREE: Are they common carriers, not contract?

MR. TUFF: They are general merchandising contractors,

and will take on every and any firm that needs their services. It is very seldom they find any concern shipping sufficient merchandise in one direction to keep one company busy. But we have one instance where we had competition from the railway company for the bread delivery business of a chain store. The railway company represented to the chain store management that it was unfair to give trade to motor trucks. The business was taken away from the motor truck company and given to the railway. The best they could do was to take the bread at night and deliver it next evening. The motor truck takes it at two o'clock to sell over the counter in Kingston at 7 a.m. I give that illustration because of the false statements we hear from time to time as to the way in which motor truck operators secure their business. I will admit that in every line of business a certain number of outlaws will be found; they pick up freight for whatever they can get, but eventually they go out of business. We are representing people who are operating on a paying basis, on a proper schedule, and on proper licenses.

COMMISSIONER LOREE: What is your longest haul?

MR. TUFF: Buffalo to Montreal. The Hoare Transport Company, the Van Dyke Lines, the Norman Transfer and the Mercer Transport Company are some of our principal trucking companies.

COMMISSIONER LOREE: Last night I was reading in the Saturday Evening Post an article by Arthur Curtiss James regarding truck shipments from New York to Detroit. He figured that a man driving eighteen hours a day made ninety-three cents an hour, but that did not allow anything for capital charges or for depreciation. I have wondered whether the

service could be maintained on its merits, or would be confined to a rather restricted area.

MR. TUFF: In the past there has been quite a lot of that -- the man really did not know what his operations were going to cost him. But the motor trade is getting more or less stabilized today and when we start to finance a man who is going into the business we naturally find out what he is going to do. It is put through our hands, we know the operating costs, and if we figure the proposition is not a paying one we do not give him our merchandise. That is the check that is being put on motor transport today. That is one of the reasons why we are representing a lot of these motor truck companies. We are in reality a part of the manufacturers. I can say in all fairness that we know whether a man's proposition is going to pay before we give him our merchandise; if it is not a paying proposition he does not get any business.

COMMISSIONER LOREE: To what extent do you go outside the less-than-carload field?

MR. TUFF: That would depend entirely on the class of merchandise. We are just like the railroad companies, we have various rates to carry various classes of merchandise. I could not give those figures offhand, but if you want them we will certainly submit them on the 19th at Toronto. We did not know what you would want this morning, and were rather at a loss what to say or do.

THE CHAIRMAN: There is one remark, Mr. Tuff, that I think perhaps calls for comment. You said something about representations being made in camera by the railways. I may say that the motor vehicle people, that is, the people

interested in this highway traffic, will have full opportunity to comment upon any proposals that may be made by the railways in respect to the regulation of motor traffic.

MR. TUFF: That is very nice. That is really one of the things I did intend to ask you, whether we would have that privilege, because we think it is only fair that we should have it. Gentlemen, I thank you. If there is anything we can answer on the 19th at Toronto, and you will give us a memorandum as to how far you would like us to go into this as a matter of detail, we shall be very glad to give you any information that we have neglected to furnish this morning.

THE CHAIRMAN: Thank you. Mr. Graham Spry of the Canadian Radio League.

MR.GRAHAM SPRY(Chairman of Executive Committee of Canadian Radio League): Mr. Chairman, I wish but briefly to detain the Commission. My purpose in appearing is to show the relationship between the transmission wires of the two railway telegraph companies and the broadcasting problem in Canada, and I hope also to be able to show that with the improvement of broadcasting there can be a very substantial improvement in the revenues of the wire companies. Further, I hope to suggest that with respect at least to broadcasting there is a real field for economy through cooperation of the wire companies. If you will permit me, Sir, I will read a few of the remarks in this memorandum, which I desire to leave with your Secretary.

I speak on behalf of the Canadian Radio League, which is entirely a voluntary organization advocating the nationalization of broadcasting in the Dominion of Canada. With that object in view the Canadian Radio League is

very much interested in the two transmission services of the railways which are used for relaying programmes across the Dominion. I will not describe the structure of Canadian broadcasting. The point is that the two railways have been the pioneers in developing transcontinental broadcasting in this country, that they have provided their wire services which have made that broadcasting effective, and that they have made possible some of the best programmes produced in Canada. Indeed, even this year when the railways have greatly reduced the amount of their broadcasting appropriations, what the railways do now represents half or more than half of all the national broadcasting.

The wires are vital to Canadian broadcasting, and the network broadcasting depends entirely on those wires. There is in construction, I understand, a third circuit which will embrace the Bell Telephone Company and other telephone companies, such as the Maritime Telephone Company and the three government telephone systems in the prairie provinces. Of course I am only concerned here with the two telegraph companies of the railway systems.

This description which I have very hastily given, just sketching the outlines of the broadcasting structure, has, I hope, brought out the importance of the railways to our broadcasting existence.

There is a second phase. Through the production of programmes by the railways they are making possible, to some extent at least, the financing of many of the broadcasting stations in Canada. The railways will originate a programme in their own studios, say in Montreal or Toronto, they will then buy time from twenty to twenty-five stations from coast

to coast . The purchasing of that time in very large measure enables those stations to exist. In one case a station has received in the past few years from one railway alone a sum of \$60,000 for the rent of time. Certain stations are prepared to improve their facilities, providing they can make contracts for time with the railways.

It may be asked, why should the railways perform this service. It has been described sometimes as a luxury service. That is not the view that I am here to support. The value of this service that the railways render to the public is twofold. First, programmes containing only the minimum of advertising material have a very definite publicity value. Thus, the Canadian National Railway series of historical dramas advertised the history and beauties of various tourist resorts; while the Canadian Pacific Railway Musical Crusaders advertised the world cruises of the ocean services of that railway. The second value of broadcasting to the railways is the revenue derived from the use of the wires for broadcasting purposes, and that I think is the central aspect of this memorandum which I am instructed to submit.

The railways derive revenue from the sale of time to other broadcasting interests. For example one broadcasting programme which I have in mind cost the company sponsoring it \$1,200 for the railways network of twenty-one stations. The argument I am supporting is that the more network programmes there are in this country the greater the revenue of the wire companies will be. It is here that the objects of the Canadian Radio League coincide with the interests of the wire companies.

The question for both the wire services and for the Canadian Radio League is, how can the financing of Canadian broadcasting be so improved that there will be an increased number of Canadian programmes. The real problem of Canadian broadcasting is financial; the problem is, where is the money to be found for financing stations and producing programmes and paying to the railway companies the wire charges.

There is the method in vogue in Great Britain of a license fee -- that method I am supporting here; there is the advertising method; there is the method of a subsidy. The last method I think may be ruled out at once; governments should not be asked at this time to subsidize Canadian broadcasting. The advertising method in this country, if I may state it categorically, will not finance adequate Canadian broadcasting from a national point of view.

It may be conceded that there is enough advertising revenue in Toronto and Montreal to provide Toronto and Montreal and district with an effective broadcasting service; but there is not sufficient national advertising revenue-- that revenue from which railway wire services derive their money -- there is not enough of that revenue to make effective national broadcasting in any serious measure.

The advertising method may be dismissed along with the government subsidy as a method of improving broadcasting and increasing the number of programmes sent over the railway transmission wires. It costs from \$50,000 to \$100,000 to put on a series of national programmes of, say, an hour a week for from 21 to 26 weeks. How many national advertisers are there in Canada who are prepared to spend that sum for what is still a purely experimental advertising method?

Obviously the advertising method cannot be looked to for improving the number of programmes sent over the wire transmission services of the railroads.

The practical method, the sane method, is the method of collecting a license fee. At present the government collects a dollar fee from each owner of a receiving set. The Canadian Radio League is in agreement with the Aird Commission on Broadcasting, which in its report of September 11, 1929, recommended that the fee should be raised to \$3 a year -- less than a cent a day. This license fee would produce today an annual revenue in excess of \$1,500,000. The Department of Marine estimates there will be at least 600,000 listeners at the end of this fiscal year. The Canadian Radio League after a careful investigation estimates that within twelve months, provided there is a vigorous collecting agency which has a direct interest in increasing its revenues, the number of license holders in Canada will increase from 600,000 to 700,000 or 800,000. In other words, from the collection of the increased license fee, bearing very lightly on the listener -- no more than a cent a day -- and not imposing a burden either on the provincial or the Federal government, yet providing a revenue of from \$1,500,000 to \$2,000,000 for radio purposes --

THE CHAIRMAN: Of course, Mr. Spry, you realize that broadcasting is not directly within the scope of our investigation.

MR. SPRY: What I am about to say, Sir, is precisely relevant. Of this amount some \$250,000 would be paid to the railway companies for their wire services. That is many times the amount of revenue they now receive. That, sir, is

the whole point of this memorandum.

The suggestion here -- and I turn the pages rapidly, sir -- is that the two railway telegraph companies cooperate in this way, that their broadcasting facilities and staffs be amalgamated under a new company; that this new company create a programme-building organization to assist the sponsors of indirect -- and I emphasize indirect -- advertising programmes, as well as provide their own railway programmes. This company could operate either under nationalization or under private ownership.

The advantages of such a pooling of wire services and the formation of a programme-building organization -- I hope this is relevant; it has definite relationship to subsidiaries of railway companies -- appear to be:

1. The provision of stand-by circuits, so that in case of breakdown on one circuit the programme could be immediately continued over the other circuit.

2. The use of one circuit for telegraph purposes and the other for broadcasting purposes, with the result that there would be a greater number and greater choice of hours for network broadcasting.

3. The reduction of costs through the use of one set of offices, studios, and so on.

4. The possible reduction of wire charges to broadcasters, with a consequent increase of broadcasting. This would encourage further broadcasting, would produce further revenues for the railways, and would facilitate improving the number of programmes.

This proposal is respectfully submitted to the Royal Commission on Railways and Transportation, and I thank

you , Sir, for allowing me the privilege of doing so.

THE CHAIRMAN: Mr. Drysdale.

MR. W. FLOCKHART DRYSDALE: Mr. Chairman, I have been listening this morning to the discussion with regard to some of your problems relating to freight and passenger traffic. I am speaking as an individual engineer with a certain amount of experience. I am not touching on the freight question because I feel that in the long run that is not going to worry you very much, except within a short radius. My remarks will be confined to what I happen to have observed in this district and on a particular line.

I am interested primarily in the line between Ottawa and Montreal which happened to be built when the tunnel was put through. I think it was started after the war and is the youngest and last developed line around here. The line passes through a garden district, many of us have properties there, and we have been living in hopes that we would get a train service which would enable us to commute back and forth. My impression is that any time the point would come up of duplication of services between Montreal and Ottawa the younger line had to take the cut, which is natural. But things have gone from bad to worse, and I have one or two suggestions, sir, which will take me only five minutes to read.

This is my memorandum:

With a view to exposing certain undeveloped business, as well as effecting radical economies, which should help the Canadian railways to overcome the serious economic difficulties which they are encountering at the present time, the writer respectfully makes the following

suggestions:

1. That the Commission should enquire into the possibility of increasing revenue by the reduction of fares and by scheduling trains convenient to the travelling public. This applies particularly to suburban traffic.
2. That the Commission should investigate a recent radical departure in passenger and light freight rolling stock. The ratio of useful load to total weight is 20 per cent in the new equipment, against the present ratio of 2 per cent. First cost, operating cost and upkeep expense are greatly reduced; average speed is doubled.
3. That the Commission should seriously consider the application of items 1 and 2 to the tunnel terminal line between Ottawa and Montreal. This line is not used very much at present, its freight and passenger service can be handled economically by methods mentioned in item 2, and if results come up to indications, the same application could be made to advantage at many other points in Canada.

The above suggestions are based on observation of conditions on the line between the tunnel terminal and Ottawa, and as affecting the population on this line. This railroad was the last built between the Metropolis and the Capital, and whenever any reduction in train service has been demanded in the past, it has had to take the cut by reason of being the least developed area. Owing to lack of train service through this garden district, the people who should be served by the railroad have been forced to travel by automobile. The same applies to the freight, which consists largely of dairy products and light package freight. This has reduced the

mileage travelled per year per head of population, and increased the travel by automobile at higher expense to the passenger. That there is an undeveloped field for increasing revenue, we are certain, and if it were possible to travel freely over this line at times convenient to the public, we believe there would be a large migration from the city to this part of the country, and many people would live there all the year round.

Slow speeds and insufficient number of trains are the direct cause of the loss of revenue. The people have certain rights regarding the value of their time, and with present equipment the railroad is forced to move back and forth a heavy amount of rolling stock, in order to carry only a few passengers at inconvenient hours, and also to pay the wages of a proportionately high number of operators. This condition can easily be rectified. Existing equipment should be replaced by that of modern design.

It will be possible very shortly to purchase for about \$12,000 a fifty passenger rail-bus, which is a complete unit in itself with baggage compartment carrying one ton of freight. This is only a fraction of the cost of the present equipment which it will replace, and as these rail-busses run on pneumatic tires, they will accelerate and decelerate much quicker than any piece of equipment so far introduced. The fuel consumption will be much less, for the cars are very light, being made largely of aluminum. The wear and tear on the road bed will be at a minimum. Special cars can readily be constructed to accommodate milk cans, etc., thereby doing away with the present inconvenience of the passengers having to wait at

the stations while the cans are being loaded or unloaded. These rail-buscs use the ordinary grades of gasoline, and have small standard automobile motors, the cars ride much more easily than any other rail car so far developed, and as the pneumatic tires absorb the shocks between rail and car, the construction of all the rolling parts is made much lighter than is the case where steel wheels run on steel.

I might say, Mr. Chairman, I know through friends that one of these cars has been received on this side of the Atlantic, but it is a twenty-four passenger car. The other cars will not be ready for some time. It seems to me that I ought to let you know about this in case anything comes up in the future in connection with it.

We recommend that the Commission seriously consider converting the Montreal (Tunnel) Ottawa line to Rail-Bus service exclusively, and that all the economies in reduced personnel (one man can operate the rail-bus if necessary)-- That is something to be taken up with the unions, I suppose. -- elimination of automatic signals and despatching, reduction of cost by eliminating checking of baggage, etc., should be tried without delay. This system can be extended to other areas with corresponding economies.. It is considered that six-rail-busses would suffice to start with on this line.

In our opinion if the railways take advantage of their present resources and adopt up-to-date methods, one loss will be converted into a gain.

While appreciating that we have only touched on one phase of your problem, it is our conviction that by reducing

costs as outlined above you will secure a more popular solution than by the alternative of raising rates. Should the Commission desire further particulars we will be glad to place ourselves at your disposition.

THE SECRETARY: I have to announce, Mr. Chairman, receipt of the following:

A resolution by the City Council of St. Lambert, urging completion of certain portions of the Canadian National Railways terminal scheme in Montreal;

A private submission by Mr. J. B. Baillargeon, of 423 Ontario Street, Montreal, copies of which are before the Commission;

A letter from Mr. L. W. Bailey, of Quebec City, with reference to railway passes;

A submission by Mr. Gordon M. Pitts, Civil Engineer of Montreal.

THE CHAIRMAN: There being no further business before us, this sitting is concluded.

The Commission adjourned at 12.30 p. m.

After the adjournment Mr. T. R. Kirkwood, of 1210 University Tower, Montreal, handed to the Secretary a memorandum which, he stated, he had intended to submit to the Commission, and requested that it might be incorporated in the record.

This is the memorandum:

Gentlemen:

In accepting the invitation extended by you to the public to submit written opinions on Canada's transportation

problem, I desire to emphasize the importance of inland water transportation.

Of late there has developed in two sections of Canada—Quebec and the Maritimes -- considerable opposition to further improvement of navigation in the upper St. Lawrence River, which lacks nothing in vocal intensity although contributing not a single sound argument against the project.

Careful study of these sectional objections brings to light at once the fact that both Quebec and the Maritimes are impelled to argue against the seaway because they have other fish to fry. One group, apparently desires to exercise a sort of monopoly on hydro-energy in the St. Lawrence, to the exclusion of Ontario and New York State; and the other desires to utilize the National Transcontinental line of the Canadian National as a new grain route to feed the ports of Halifax and St. John.

Let me say at once that I am heartily in accord with the natural desire of the maritimes ports for a fair share of Canada's grain traffic; but I have no faith in the method proposed to gain this traffic.

It has been said probably from coast to coast that Canada's present railway problem is the result of too much railway mileage. Now, with the benefit of hindsight, there are few who would have the hardihood to insist that we could not have done with considerably less mileage. It must not be forgotten, however, that a large part of this excessive mileage was constructed because of the force of optimistic and uninformed sectional public opinion. People lost sight of the country's complete transportation picture in pressing for supposed sectional advantages.

Because there is a large surplus of little-used railway mileage is not, in itself, a sound reason to neglect the use and development of our great inland waterway system -- a highway that has always carried the bulk of the west's large and growing traffic in grain since the beginning of surplus production in that section of Canada.

What would have been the cost to prairie grain growers had there been no great lakes system? What would have been the loss to Montreal and to Canada had there been no St. Lawrence canal system?

Montreal owes its position as Canada's metropolis largely to the fact that it has been the transfer point for traffic between lakes and ocean, due solely to use of an improved St. Lawrence river, -- both upper and lower -- the upper part of which is now inadequate for the needs of present day traffic. Yet, paradoxically, the press of Montreal leads in opposition to further improvement of the river.

One of the arguments employed against the proposed deep waterway is that it would hurt Canada's railways, a statement that has been, so far, unsupported by details of how this evil would come about. Either through lack of knowledge or because of prejudice, propagandists against inland water transportation have so far failed to explain why the Canadian Pacific Railway operates its own fleet of passenger-cargo vessels between Fort William and Georgian Bay ports -- handling each season thousands of tons of eastbound and westbound through cargo and many thousands of passengers.

This auxiliary C. P. R. water route is parallel to its mainline on the north shore of Lake Superior and, apparently, functions profitably in spite of the maritimes dogma that

"employment of canals, servicable part time only, is an obsolete means of transportation, except for local traffic, after railways have been constructed paralleling them."

Apparently maritimes spokesmen have forgotten the considered statement of the President of the C.P.R. made to the people of Halifax on July 19th, 1929. Mr. Beatty then said: " No transportation expert has yet been able to evolve a way in which, without loss, the railways can compete as to certain classes of traffic with an all-water route equally available to the shipper ".

Apropos of Mr. Beatty's statement, it requires but little study to discover that the all-rail on grain of 19.34 cents per hundred pounds, Fort William to Halifax and Saint John -- demanded by maritimes port interests -- would be of no use against the potential competition of Albany, New York, which expects by next spring to be an important factor in the year-round handling of Canada's export grain traffic.

Evidently the Quebec laymen opponents of the St. Lawrence deep waterway, who are admittedly satisfied with the present inadequate 14-ft. canals, do not realize the potency of the new competition with which the great ports of Montreal and Quebec will be faced upon the inauguration of Albany as an all-year ocean port included in the important "North Atlantic Charter Range."

It has required a good many years for Montreal to build her grain elevator capacity up to the 15,000,000 bushels now available. Albany is constructing in one "initial" unit a grain elevator of 13,000,000 bushels capacity; ten million of which has been leased for ten years to one of the largest, if not the largest, firms of grain merchants in the United

States.

The managers of this concern are not fools. They realize that they can secure an all-water rate from Fort William to Albany which cannot be equalled, without loss, by the all-water route through the present 14-ft. canal system to Montreal. They know that a combination of low lake rates to Buffalo with the now-established rail rate from Buffalo to Albany of 7 cents per bushel on export wheat will place the new port on the Hudson in a strategic position. Albany will be able to draw upon the immense storage pool of 40,000,000 to 65,000,000 bushels available at the close of lake navigation at Buffalo in permanent storage elevators and ship's bottoms.

They realize that Montreal, Halifax or Saint John are not "range" ports; and that Saint John and Montreal are penalized by additional hull and cargo marine insurance premiums. They know the advantage of the large tonnage of tramp vessels usually available in the vicinity of the port of New York. They know of the immense inbound traffic, destined for interior states, to be developed through the port of Albany, which will make available ample tonnage of shipping to carry away Canadian grain.

Only one thing can curb Albany's ambitions to secure the bulk of Canada's eastern movement of export grain. The St. Lawrence seaway, bitterly opposed by Albany's Port Commission, will do it.

Canada's investment is immense in lake shipping and in grain elevators and harbour facilities east of Fort William. A deeper St. Lawrence waterway, enabling big lake-grain-carriers to navigate through to Montreal and Quebec and,

indeed, to Halifax, will protect this investment and secure to Canadian ports the handling of Canadian traffic. And it will, as Halifax and Saint John seem to overlook, permit shipping of maritimes coal into the extensive Lake Ontario market.

I have little patience with the argument of some opponents of the seaway that Canada cannot afford the cost of the seaway project. Few have the slightest idea of what Canada's share of the cost of navigation is likely to be. None, apparently, regard it -- as they should -- in the light of a productive investment which will also protect Canada's trade routes and seaports. Canada cannot afford to do without the seaway.

The difficulty is that Canadians have not been given the benefit of official studies of the economics of the St. Lawrence project. The authorities at Ottawa have long been committed to it as a sound development. Both Mr. Bennett and Mr. King have stated they would build the seaway. To enable them to take this position they must have been fortified by economic information gathered by government officers. In fact the writer has been advised by letter from the Department of External Affairs that "abundant material has been collected by the departments primarily concerned, by the Inter-departmental Committee, and by other governmental agencies."

It should be obvious that the St. Lawrence project is much too important to the future welfare of Canada to be allowed to become the football of sectional interests. The central government may have economic information which justifies it in giving the country a lead by inaugurating

international negotiations for the seaway; but governments have also a well-known proclivity to "run to cover" rather than face hostile, organized and even ill-informed public opinion. This inherent weakness in our political leaders is one of the main reasons why we have a railway problem today.

It would seem logical, therefore, for the central government to give out some official information about the seaway project to the public, and not let newspaper editors and others impose their sectional, selfish or mistaken ideas which have not a basis of practical knowledge or accuracy.

It might also be advisable for the central government to appoint a permanent committee of representative transportation men and others, to which important questions of transportation policy -- such as new channels of communication -- could be referred for study and advice. Such a committee would provide for the government of the day a splendid buffer to meet the demands of sectional interests for new branch lines and other facilities; and the country could be saved some money.

ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Parliament Buildings, Toronto, on Tuesday, January 19, 1932.

PRESENT:

RIGHT HON. LYMAN POORE DUFF, P.C., Chairman
RIGHT HON. LORD ASHFIELD)
SIR JOSEPH W. FLAVELLE, Bart.)
BEAUDRY LEMAN, Esq.,)
LEONOR FRESNEL LOREN, Esq.)
WALTER CHARLES MURRAY, Esq.)
JOHN CLARENCE WEBSTER, Esq.)
Commissioners

Arthur Moxon, Esq., K.C., Secretary

George W. Yates, Esq., Assistant Secretary

Members of the Executive Council

The Honourable George Stewart Henry, B.A., LL.B., President of the Executive Council and Minister of Education,
The Honourable Lt.-Col. William Herbert Price, K.C., LL.B., Attorney-General,
The Honourable Charles McCrea, Minister of Mines,
The Honourable Joseph Dunsmore Monteith, M.D., C.M., Minister of Public Works and Labour,
The Honourable Edward Arunah Dunlop, Provincial Treasurer,
The Honourable John Morrow Robb, M.D., Minister of Health,
The Honourable Colonel Thomas Laird Kennedy, Minister of Agriculture,
The Honourable Leopold Macaulay, B.A., LL.B., Minister of Highways,

Members of Executive Council, cont'd.

The Honourable William George Martin, Minister of Public Welfare,

The Honourable George Holmes Challies, B.P.H., Provincial Secretary and Registrar,

The Honourable John Robert Cooke, Minister without Portfolio,

The Honourable Henry Chadwick Scholfield, Minister without Portfolio,

The Honourable Paul Poisson, M.D., M.C., V.D., Minister without Portfolio,

Mr. R. M. Smith, Deputy Minister of Highways,

Mr. J. P. Bickell, Registrar of Motor Vehicles.

Parliament Buildings, Toronto,

Tuesday, January 19, 1932.

Morning Session

The Commission met at 10.45 a. m.

THE CHAIRMAN: Mr. Prime Minister, we are grateful for this opportunity to have a talk with you about the subject matter which we have to investigate. You are fully aware of its general nature, and we shall be glad to have any assistance that you can give us.

HON. MR. HENRY: Mr. Chairman and gentlemen of the Commission, we have a general knowledge of the inquiry which you are making. I know something of your activities in the west; at the time I was in British Columbia on furlough and heard from the members of the Provincial Government something of the nature of your work. I do not know that we as the government of this province can offer you much assistance from the railway standpoint particularly.

Your inquiries of course lead you into the field of highway transportation. Someone talking to me recently about prospective developments in China, stated they were seeking to build roads that would serve territory other than that served by the railroads. As Minister of Highways some years ago I canvassed the situation, but finally I came to the conclusion that our centres of population having been built up in the last seventy or eighty years through service by rail, with the highway development of the last fifteen years in conjunction with the use of the motor car, we have gotten more or less into the railroad field. Our population

demanded that. If you study our highway system you will see that it runs very closely along the same lines as the railways, for the reason that I have suggested. One case in the western part of the province bears that out very definitely. Before the advent of the railroads a highway was constructed between London and Sarnia, popularly known in the community as the Sarnia gravel road. During the development of the present highway system there was an agitation to have that road made part of our system. We found there was practically no population alongside the road except a few farmers. At one time there had been thriving hamlets, but the people had moved away about three miles where parallel with it a railroad had been established. You would see that picture if you travelled from London through Strathroy, Watford and Wyoming on to Sarnia -- the railway simply pulled the population away from alongside the road where it had originally settled. For that reason in our development of the highways we are very close competitors with the railways.

With regard to the railway mileage now being operated in this province, in a general way we feel that most of it, if not all, is needed to serve our people, and at any rate is needed for the development of the country as we expect it will go forward once we get away from the present depression.

From the standpoint of highway traffic in its relation to railroads, I think the Highway Department will be in a position to give you some information, as we have been seeking to control the operation of public motor services on our main highways.

In 1925 we first took control of bus operation and

have now a fairly well developed system of bus services. In the early stages motor bus operation was in the hands of small operators; during recent years there has been a tendency for it to pass into the hands of operators with better financial backing and therefore able to give more adequate service than you would expect from the man without means to take care of his problems. We have sought to confine motor bus service to one operator in each particular area, and it has pretty definitely assumed that form. There will be several operators along the same piece of road, one giving local service and the others running express service without any local business. I think the public recognize that we have controlled these operations in such a way as to ensure a dependable service.

This service parallels some radial lines. We have dissuaded local operators from competition with radial operation, but today the radial lines have disappeared almost entirely; there are only a few still operating in the province. In some cases the radial company took over the bus operation, but in granting licenses we always sought to avoid direct competition with local traffic. It was never feasible to interfere with competition between termini. Naturally between Toronto and Hamilton, for instance, there is a lot of through business which we cannot interfere with. This has had a definite effect on the steam rails as well, in that a great deal of the traffic is rather inclined to follow the popular means of transportation on pneumatic tired buses from one centre to another.

With relation to truck operation -- freight and express haulage -- the problem is not as simple, and we have not been able to control it in such a definite way as we

have the bus operation, there being so many varying forms in which the traffic is carried on, but I think the department will point out to you that of about 70,000 trucks in the province only twenty five hundred odd are doing what would be known as a common carrier business in any form, and therefore directly competing with the railroads.

THE CHAIRMAN: The others, I suppose, operating privately, that is to say, for the business of a particular concern?

HON. MR. HENRY: Exactly. The others are all the different forms of truck use from the farmer with his runabout to the extensive equipment of some of the large concerns that deliver their own goods. The department will point out to you the several forms of license. There is the license to cover the straight common carrier who advertises himself as operating on a route which has been assigned to him by the department and who is carrying goods to and fro, picking up his business where he may. Then there is the license applicable to what are known as contract carriers; they are in a sense semi-private, in that they transport merchandise of one form only. Some of them may have a return load, but in a great many cases their equipment is suitable for the transport of some particular merchandise, and that is all they carry.

THE CHAIRMAN: Do you encourage monopolies in this truck business as in the bus operation?

HON. MR. HENRY: Yes; as far as licensing is concerned, we have not been encouraging direct competition one with the other. Where a service is established, as long as there is adequate equipment and adequate frequency of

operation, we favour one operator rather than a multiplicity of licensees.

I do not know that I have anything further to add. Mr. Macaulay, Minister of Highways, and his deputy, Mr. Smith, are here. They will go more fully into the details of control of traffic and the tolls that the various services are paying to the revenues of the province for the licenses granted to them.

THE CHAIRMAN: It was suggested to us, Mr. Prime Minister, in various quarters in the west that something might be done in the way of reduction of duplication of railway services in that part of Ontario lying north of the Great Lakes -- for instance, by abandonment of some of the lines. I do not know whether you have given that any consideration at all. Broadly speaking there are three lines here.

HON. MR. HENRY: We have known of the discussion from different sources, and while we recognize that the three lines are operating over a territory that thus far has not contributed very much in local business, yet contiguous to some portions of each line there are certain industries, and the abandonment of transportation services would retard those industries. This does not apply of course to the central territory lying immediately north of Lake Superior. For instance, we have a development as far west as Chapleau, or even further, that is dependent on the Canadian Pacific Railway for its life, and to some extent on what was originally the Canadian Northern, the road running from Sudbury up to Long Lac; there is of course considerable development on the Transcontinental portion of the Canadian National; there is also a very considerable agricultural development as far west

as Hearst and perhaps farther; then in the area tributary to the head of the Great Lakes, Port Arthur and Fort William, there are extensive timber resources. Of course, we have learned comparatively little of the mining possibilities of any of those areas. I think from the very beginning of construction of the Canadian Pacific all Canadians have recognized that there is a long dead haul over the territory north of Lake Superior with practically no local business, nearly all the population tributary to it being identified with railway activities.

THE CHAIRMAN: There has been some discussion also with regard to the line between Ottawa and Montreal; there is one on the north shore, and there are two or three on the south shore of the Ottawa river. In reply to the suggested suppression of what might be called duplication there, the railway management urged that it is impossible because of the settlements which have grown up along these routes, although as you know they run very close to one another. Have you given that any consideration at all?

HON. MR. HENRY: No, I have not. But I may say that practically all the old Canadian Northern road from Toronto to about Cobourg has been abandoned. I do not think any serious hardship resulted to anyone, because that territory is fairly well developed and we have been taking care of transportation by road. Something similar might be said with regard to the road along the Ottawa in Ontario; there is a good road there now with adequate access to it from the little local centres. I am not so well acquainted with the territory on the Quebec side, and do not know what the population would suffer by the abandonment suggested. But we all feel that

it was a reasonable thing for the Canadian National to abandon the portion of road between Toronto and Cobourg as they did after the consolidation of the system. A short piece of road in the northern part of York County has been cut out, and nobody is suffering as a result, largely because of the development of adequate road service.

LORD ASHFIELD: I gather from what you have said, Mr. Prime Minister, that it is the deliberate policy of your government in dealing with this comparatively new form of transportation, whether passenger or freight, to treat it upon a non-competitive basis, seeking as far as possible by regulation to avoid over-lapping, and to secure satisfactory service on the road preferably by one carrier rather than by several?

HON. MR. HENRY: Yes.

LORD ASHFIELD: The Chairman has dealt with what might be described as one aspect of the competition, that is, whether in view of the new services and the experience that has been gained of their operation parts of some lines of railway could be abandoned. Perhaps I might take that phase of the problem a stage further and ask you whether your government has considered the services of one railway in relation to the services of another, and if so, and you could deal with those services under the same conditions, would you take the same view as you have taken with regard to road services -- that they should be dealt with on a non-competitive basis rather than on a basis of competition? -- which perhaps is more or less the situation today.

HON. MR. HENRY: That is assuming I had authority to do it?

LORD ASHFIELD: Always assuming the same circumstances.

HON. MR. HENRY: Perhaps this answers your question.

We discarded competition because in many cases, in the early stages of bus operation at any rate, there was not room for two operators and you could not expect adequate service if you allowed the indiscriminate use of the roads by everyone who cared to take out a license. If we gave a permit or license to one operator and required him to give a scheduled operation up to what the area would demand, we found others would come in and take the cream of his business in the rush hours. To protect him it was necessary to avoid competition. We sought to develop the truck traffic, freight and express, along the same lines. I do not think we looked on the thing from the standpoint of the healthy condition that competition ordinarily produces in commerce and industry, but rather from the standpoint that this was in its initial stages and to ensure adequate service such protection was needed.

LORD ASHFIELD: Perhaps I might pursue the subject a little further. The effect of the unrestricted use of roads by road services meant, as you have said, that the service would ultimately become inefficient because there was poaching; therefore the financial resources of an efficient company would be prejudiced and in the end the public would not get as good a service as it could get under a regulated monopoly, if I may use that term. Is not the railway situation somewhat analogous? As far as I understand the position, through the provision of unnecessary services the railway undertakings find themselves in a very unpleasant financial position. Ultimately of course, the public must suffer through a situation of that kind, because their

financial resources are being sapped by the competition between these two undertakings. I was wondering whether that aspect of the problem had had the consideration of your government, and whether they had any views on the question of monopoly in respect of railway services, just as you have in respect of road services. Have I made myself clear?

HON. MR. HENRY: Yes. I may say further in relation to truck operation that the theory developed by the department is not the theory that would be advocated by the average citizen. When we said to a man applying for a license, "Prove to us that the service is needed," he would come back with a petition signed by nearly everyone on the route praying that he be allowed to go into the business. We looked at it from the other standpoint and refused his application. I think at present the attitude in the province is that in a general way healthy competition is necessary to get the best service. As far as the railways are concerned, I think I express the view of the people of the province generally when I say that they are not particularly anxious to see a merging of the railways into one corporation. But the thought has been expressed by those who have been studying the question that possibly something in the nature of regulation of excessive competition would be beneficial. I think we all recognize that there has been keen competition between the two railways in the running of passenger trains at fast speeds between points such as Ottawa and Toronto, and that this competition has gone beyond what is really required. For that reason we have been thinking -- I do not know how feasible this is -- that something in the nature of a control board might be set up to curb excessive competition and yet preserve the healthy condition

that does obtain by virtue of having different staffs seeking to serve the public. In a province proud of the development of a monopoly in the distribution of hydro current, I should not like to say that a transportation monopoly could not be operated and give adequate service.

THE CHAIRMAN: Is not the Temiskaming and Northern Ontario Railway practically a monopoly service?

HON. MR. HENRY: It is. Of course it is serving a small area.

THE CHAIRMAN: It is a very limited thing undoubtedly, but so far as it goes practically there is freedom from competition.

HON. MR. HENRY: Yes.

THE CHAIRMAN: And the service generally has been recognized by public men to be adequate.

HON. MR. HENRY: I think the whole community recognizes it as being an adequate service, and that it has not deteriorated because of its monopolistic form.

LORD ASHFIELD: The street railway system is in the nature of a monopoly too, is it not?

HON. MR. HENRY: Yes. It is operated by the city under a commission.

LORD ASHFIELD: But it is a monopoly?

HON. MR. HENRY: Yes.

LORD ASHFIELD: Is it satisfactory?

HON. MR. HENRY: Oh yes. Toronto is firmly convinced that it is the proper system. It has been operated now for ten years; it was privately operated before that.

THE CHAIRMAN: Would you say that your method of regulating freight highway service has established itself as a

satisfactory method?

HON. MR. HENRY: I do not know that we feel it is just as satisfactory as we should like it to be. I think we have made some progress with and are more confident of our bus control.

LORD ASEFIELD: If your street railway system is efficient as a monopoly -- and there is no question of it; it has a world-wide reputation for efficiency -- I wonder why that same medicine is not good for a steam railway system. Is it public sentiment alone that dominates the position and not logic?

HON. MR. HENRY: Well, the city is a comparatively small area and I do not think lends itself to competition in street railway service. First it entails a franchise.

LORD ASEFIELD: A monopoly franchise.

HON. MR. HENRY: It is really a monopoly franchise. We have not had a street railway in Toronto that was not a monopoly. In the thirty years from 1891 to 1921 the Toronto Street Railway Company developed a tramway system. The company maintained that under their franchise they were required to operate only within the limits of the city as defined at the time they secured the franchise, and they refused to extend their system beyond the old limits. Thereupon the city authorities were forced to give a street car service in the newer portions. That service was continued for a number of years and rather decided the city, long before the term of the franchise ran out, that a uniform service under the control of a commission was the proper form of operation.

LORD ASHFIELD: The operation of this large system is financially successful, is it not?

HON. MR. HENRY: Yes.

THE CHAIRMAN: How many of these urban street railway systems are there altogether?

HON. MR. HENRY: I think about seven.

HON. MR. W. H. PRICE (Attorney General): There are not more than ten.

HON. MR. HENRY: Some of the smaller street railways have been abandoned; those that occur to my mind at the moment are the City of St.Thomas and the City of Kingston systems.

SIR JOSEPH FLAELLE: And Peterborough.

HON. MR. HENRY: Yes. There the service is being continued by bus operation.

LORD ASHFIELD: All over the world the tendency is to abandon tramway service in these small places in favour of the bus.

Perhaps the commission would be interested to know the form of organization that is set up to manage those tramway systems.

HON. MR. HENRY: We have nothing to do with them.

THE CHAIRMAN: Are they not subject to your Railway and Municipal Board? Curiously enough the Ottawa system is a Dominion system and subject to the Dominion Railway Board. Is not the Toronto system subject to your Railway and Municipal Board with regard to rates, for example?

HON. MR. PRICE: Yes, it is. The board will not interfere with the contract if the service is operated. I think the London Street Railway Company made application to the board for an increase of rates, and the application was allowed; but practically it was a case of the franchise lapsing unless the rates were raised. When Toronto took over the

street railway service they did increase the rates. The old rate was six tickets for a quarter; now it is four tickets for a quarter. The Toronto Transportation Commission had to rehabilitate the service.

LORD ASHFIELD: The public were less disposed to quarrel with the rate when they felt they owned the system?

HON. MR. PRICE: The Toronto Transportation Commission had to cover the whole city on one flat rate.

COMMISSIONER LOREE: Don't you think these monopolies are the result of capital embarrassment rather than method of operation?

HON. MR. PRICE: I rather think it is made necessary by the changing conditions in order to get efficiency.

COMMISSIONER LOREE: Would that result have come about had the rates been raised while the road was in private hands?

HON. MR. PRICE: Yes, I think so in some cases. The London Street Railway was in private hands. It made an application to the Railway and Municipal Board, Mr. McCrea?

HON. CHARLES McCREA(Minister of Mines): It was steadily refused until recently when a new arrangement was made. In Toronto the situation was one of entire dissatisfaction with the service given. This led to the revamping of the whole system on its being taken over by the public.

COMMISSIONER LOREE: I was trying to get at the reason for the service being poor; was it because they were being starved?

SIR JOSEPH FLAVILLE: It was a limited franchise with a certain number of years to run. As the term got nearer to the end naturally the company starved the service because

they could get no assurance that the property would be taken over at a fair valuation. They could not afford to put in, say, a new car this year and when a year later the franchise was terminated have that car taken over at scrap value. Consequently they allowed the equipment to run down in effectiveness until the situation became intolerable.

COMMISSIONER LORSE: You spoke, Mr. Prime Minister, of the proportion of motor trucks in the common carrier business, I think about $3\frac{3}{4}$ per cent, which compares substantially with the practice in the States, where it is about 4 per cent. Do you happen to have in mind the figure for contract carriers?

HON. MR. HENRY: I think the Deputy Minister of Highways can give you that.

HON. LEOPOLD MACAULAY(Minister of Highways): We have 1,315 common carriers, 1,239 private carriers, and 269 contract carriers; in addition to which we have a special division for farm, dairy products and livestock. The highways really mean as much to rural Ontario as to the urban centres, and we give them special concessions, lower fees. We have 850 haulers who are dealing exclusively in farm, dairy products and livestock.

COMMISSIONER LEMAN: The license fee is lower?

HON. MR. MACAULAY: Yes.

COMMISSIONER LORSE: How many bus operators have you?

HON. MR. MACAULAY: We have 629 vehicles.

COMMISSIONER LORSE: How many companies?

HON. MR. MACAULAY: 90.

COMMISSIONER LORSE: How many of those are paying dividends?

HON. MR. MACAULAY: We do not ask for a financial

statement; so long as they pay the license fee we let them go.

COMMISSIONER LOREE: I was trying, Mr. Prime Minister, to get at the future of these motor vehicles. I have not been able to convince myself that their life as transportation instruments is going to be very long. I think the steam railroads are likely permanently to lose about half their passenger business to the privately owned and operated motor cars, but I look for the disappearance of substantially all the motor bus business in the next five or ten years. It is being promoted by the super-salesmanship of motor manufacturers, and people will be convinced only by experience. In the same way with the truck.

Now, we are paying an enormous price for that, not in its effect on the steam railroads but on the population. Over 30,000 people were killed on the highways of the United States in 1930, and I think the number in 1931 will be still more excessive. That is a terrible price to pay for the use of the highways. A good deal of legislation is being enacted to restrict the speed of motor vehicles by the application of automatic governors so that it is not within the power of the driver to exceed that speed; by limiting the weight -- in Texas they have gone to the extreme, limiting the weight to 7,000; by limiting the length, and by various other restrictions. I should think that that legislation will tend to grow in its restrictive character and spread all over the country. The feeling is beginning to be acute, as I sense it, of the danger that the bus and the truck are adding to the use of the highways. They are not selecting the people they injure and kill; some of the most prominent persons in the community have been their victims.

The other question raised was the abandonment of some of these properties. In the States about half the business of the country is handled on 10 per cent of the mileage of the railways. Less than 2 per cent of the business is divided among 30 per cent of the mileage. That mileage is now being abandoned very rapidly; it was a long time getting started, but it is coming up now very fast. About 73,000 miles of it is challenged as having no economic right to exist, and I should think at least 50,000 miles should come up. I am wondering whether that is not one of the things necessary here.

HON. MR. McCREA: In what type of country do you suggest that 50,000 miles of railway would likely be taken up?

COMMISSIONER LOREE: Take my own road. We had a line originally built from Albany up to Moore's on the border. Then we started at West Chazy, twelve miles south of the border, and built a line to Rouse's Point. That left the old Moore's branch twelve miles long, on which we lost \$20,000 a year in operation, and we had a bridge to renew, which cost us \$40,000. After two years effort we were given authority to take the line up and to abandon operation. We had a road twenty-three miles long from Carbondale to Honesdale, Penna., -- the oldest road in the United States. The traffic had left it; after four years effort we got authority to take that road up and we ceased operation last October. We now have an application pending to abandon twelve miles between Greenwich and Johnstonville. It is that character of road that is coming up--some short, three or four miles, some as long as from seventy-five to one hundred miles.

HON. MR. McCREA: This was my object in asking the question. Our three lines between the east and the west are visualized largely by our people as not having sufficient

through business. But between the east and the west over that section of Ontario north of Lake Superior there are still great assets -- raw materials -- and if the lines were taken up or removed one must look for an arrested development of those resources, for it is not likely that they could be handled on the ordinary automobile road. The lines you refer to, I gather, are lines where the traffic has been pretty worked out, they are not a part of the through system, and where there is really no business.

COMMISSIONER LOONEE: I think the business on these lines is poor for a variety of reasons. Some were built to get out timber, and the forest resources have become exhausted; some to take out the products of the mines, and the mines have become exhausted; some were promoted by persons who made a mistake in judgment -- the territory did not develop as they thought it would; in some cases the road was paralleled by a much superior location, and the people moved over to the new road. You have the usual variety of experience in railroad business as in everything else. I think each case ought to be taken on its merits and very carefully studied. But broadly speaking I should say of the seventy three thousand miles that are challenged on the paucity of traffic, at least 50,000 miles would come up.

Two other things have arrested my thought as we have gone over the country, one being the identity of the experience that you have here with the experience we have had in the States. As you look at the map it would seem as though there was a very excessive railroad mileage in the Prairie Provinces, but if you compare the mileage in Alberta, Saskatchewan and Manitoba with the mileage in the States of Kansas,

Nebraska and Iowa, which are the same sort of country, you have no such mileage as they have. There on a meridian of latitude there is a separation of lines of about twenty miles; ours in the States is only about seven. I think there it is an operating rather an abandonment problem. You may have to suspend operations for a good part of the year and depend on the roads, but I do not think they are overbuilt; that is the impression I got. In a way that is true also of the passenger business.

As I get the financial setup of the civilized world, Canada has more outside debt than any other country. She has two resources to meet that debt, and very dependable sources; one is the constant extraction of gold from the earth, the other is the money spent by the tourists who come into the country. Apparently in 1930 citizens of the United States spent about \$400,000,000 in Europe, and \$235,000,000 in Canada. I think that always ought to be kept in mind in talking about passenger service. I think the passenger service is excessive in some places, and the speed too great; but it is a very attractive service and a very necessary service. And I think that is the challenge that always ought to be put to it: Does it serve adequately this very valuable resource of revenue?

HON. MR. PRICE: A very great proportion of the tourist traffic came in over the roads.

COMMISSIONER LOREE: There is no question of that.

HON. MR. PRICE: I think more than 3,500,000 American cars entered Ontario last year.

COMMISSIONER LOREE: I think it is too important to be ignored. That is the point I was trying to make.

HON. MR. PRICE: Yes.

COMMISSIONER LOREE: If you had some figures that would enable you to equate the value, the information would aid our judgment very materially I think.

COMMISSIONER LEMAN: The 73,000 miles of road that you referred to are not in the districts that you compare with Manitoba, Saskatchewan and Alberta?

COMMISSIONER LOREE: Yes, there is a good deal of mileage being taken up now in the three prairie States that I speak of, but they are nearly all short stub lines.

COMMISSIONER LEMAN: Parallel lines?

COMMISSIONER LOREE: They will be kept intact unquestionably. But if you look at the reports of the Interstate Commerce Commission, almost every week you will find there are approved applications to take up 45 lines or more. While they are all short as yet, occasionally you will get one of considerable length.

COMMISSIONER LEMAN: Mr. Prime Minister, in your highway policy, is there any connection between the amounts of money spent on highway construction and maintenance and the revenue derived from motor vehicle licenses, gasoline tax, etc.? That is to say, is there a definite financial policy in this respect, and an amortization of some of the expenditure?

HON. MR. HENRY: Well, that is not as definite now as it will be -- we are moving towards it. We are receiving very large revenues now from motor equipment generally through the medium of the various taxes in respect of public operation, permits for the private cars, and the gasoline tax. Our highway system is very complicated in that the province is contributing practically all the mileage. We have about three thousand miles in what is known as the King's highway system; about eight thousand miles in the hands of the counties -- a group of twenty or twenty-five different municipalities; and then in the township municipalities, which exclude the incorporated villages and towns that are part of the county council, there are over forty thousand miles, and we are contributing under regulations to practically all. A few municipalities, and possibly five per cent of the townships, are not receiving assistance from us because they have not seen fit to live up to our regulations. The townships are receiving forty per cent of their entire cost, and the counties fifty per cent. We pay as a province nearly eighty per cent of the cost of the King's highway system; the counties pay twenty per cent, and then there are suburban areas set up around the cities to which the cities contribute twenty per cent towards the

mileage, arbitrarily arranged, somewhat in proportion to the size of the city. Toronto has naturally a greater suburban mileage than any of the others. So that in that way there is not only the expenditure by the province on the construction and maintenance of its own King's highway system; there is a contribution that goes to the municipalities.

SIR JOSEPH FLAELLE: How is the financing done by the townships, Mr. Prime Minister?

HON. MR. HENRY: I would say that where the townships put up 60 per cent of their own, it is almost entirely out of annual revenue.

SIR JOSEPH FLAELLE: Out of their taxes.

HON. MR. HENRY: And the counties largely in the same way, although when they build something of a more permanent character they are apt to raise a debenture. The province finances its cost in both ways -- a portion from the revenue and a portion by borrowing. I suppose fifty per cent of the counties raise the 20 per cent that goes towards the provincial system by debentures. Some counties, however, have no debt whatever but have met all the charges for the King's highway system within their territory out of their rates.

SIR JOSEPH FLAELLE: Where debentures are issued, how are they amortized?

HON. MR. HENRY: Within a period of twenty years. The law requires that.

SIR JOSEPH FLAELLE: They are a twenty year debenture paid out of what?

HON. MR. HENRY: Out of revenue.

SIR JOSEPH FLAELLE: So much per year?

HON. MR. HENRY: Yes, principal and interest. There is practically no sinking fund set up.

SIR JOSEPH FLAELLE: Is there a tendency, then, to create a gradually increasing net debt?

HON. MR. HENRY: I think that would be so in the counties that are close to the larger centres of population, where the largest amounts are spent in road construction. But in such counties as Perth and Huron, where the traffic is not as heavy, in many cases they have no debt at all. Perth has no debt; Wellington is free of debt, and Simcoe as well. But the counties that are adjacent to the larger centres of population all have debts.

SIR JOSEPH FLAELLE: All?

HON. MR. HENRY: All have a debt, yes. Take the counties around Toronto -- York, for instance; before these large viaducts were demanded across the ravines they were taking care of themselves out of revenue. But generally speaking a municipality that is close to a large centre of population has debt because of the rather heavy expenditure they have had to incur on account of the needs of the traffic.

COMMISSIONER LEMAN: I suppose the regulations are printed, Mr. Macaulay?

HON. MR. MACAULAY: Yes, I have a number of exhibits here. Some of them I will summarize for you, whenever you wish me to do it.

THE CHAIRMAN: We shall be glad to hear you, Mr. Macaulay.

HON. MR. MACAULAY: I thought I would file, sir, for

the benefit of your Commission, a history of this department since it was organized in 1917; perhaps the historical picture will give you a better view of the problems we had to meet as we went along. It shows the development of the highway system, the types of roads, bridges and culverts we have been constructing year by year, the railway grades we gradually have been eliminating, and our theories as to the construction and maintenance of highways. Reference is also made to the way we deal with the question of advertising signs -- prohibition of them is our present policy, although we are offered considerable sums of money at times by manufacturers to allow them to use them. And then there is the question of the latest development, that of keeping the highways clear in the winter. We spend about half a million dollars on snow removal during the winter season.

COMMISSIONER LEMAN: Not on all highways?

HON. MR. MACAULAY: On the King's highways. We have now about three thousand miles of King's highways constructed to our standard, all of which, except the later assumptions, are paved. About seven hundred miles, which would represent those that we have taken over in the last few years and are grading and getting ready for paving, are still gravel. We have at present, therefore, about 2,300 miles of paved highways.

THE CHAIRMAN: The Prime Minister says that is 90 per cent of the total pavement mileage of Canada.

HON. MR. MACAULAY: That is why you have come to the right place to discuss highway problems -- Ontario. Practically 80 per cent of all the good roads in Canada are located in Ontario.

We have also prepared some charts which I think would constitute the meat of the argument as to bus and truck statistics for the province of Ontario. I would like the commission to follow these, if they can, as I go through the various exhibits. First, however, I should like to file with the Secretary, and to read some relative sections of it, a brief statement setting forth our policy and experience in connection with the regulation of public vehicles, that is, buses and commercial trucks; the commercial carriers of the province of Ontario.

Pursuant to the provisions of the Public Vehicle Act and the regulations passed thereunder by the Lieutenant Governor in Council, motor bus operations have been licensed and regulated by the department since 1924. "Public vehicle" is interpreted in the Act to mean:

A motor vehicle operated by or on behalf of any person carrying on upon the highway the business of a public carrier of passengers, or passengers and express freight which might be carried in a passenger vehicle, but shall not include the cars of electric or steam railways running only upon rails, nor motor vehicles operated solely within the corporate limits of one urban municipality.

We have no control, nor do we seek any, over motor traffic within the city of Toronto, for example. We collect no fees in respect of those operations, and that field is open to the municipality if it sees fit to go into it.

SIR JOSEPH FLAVELLE: Does the registration fee not come to the province? I am speaking of operations say in the city of Toronto.

HON. MR. MACAULAY: We do not register bus opera-



tions that are carried on solely within the limits of the city.

SIR JOSEPH FLAELLE: I thought you said private vehicles as well.

HON. MR. MACAULAY: No, I am dealing now only with public vehicles, which are interpreted by the Act to mean buses.

Under this Act and the regulations passed thereunder licenses are issued by the Department to those operating public vehicles, which licenses designate the route over which the vehicles may be operated. The tariff of tolls charged for travel on such vehicles must also be submitted to the department and receive departmental approval before becoming effective, as must schedules of operation. That brings up again the question referred to by the Prime Minister: we do not encourage rate cutting. That is the usual reason, any way, for rejection -- the submission of a schedule simply for the purpose of under-cutting a competitor for a limited period of time and perhaps putting them into bankruptcy.

THE CHAIRMAN: You have authority to make a fixed rate, not merely to fix a maximum?

HON. MR. MACAULAY: We approve the rates.

The fees payable to the department for public vehicle licenses are based upon the potential passenger mileage and are computed as follows:

One-twentieth of a cent per passenger mile of travel over or along all provincial highways and one-thirtieth of a cent per passenger mile of travel over or along highways under the jurisdiction of any suburban or other commission of any township or county.

council.

That is, we charge one-twentieth of a cent per passenger mile on the King's highways and one-thirtieth of a cent on all other roads on which they operate.

HON. MR. HENRY: I would just like to point out in that connection that that is 50 per cent of what it was two years ago when traffic was more normal.

HON. MR. MACAULAY: They represented to the Government that the former rate, which was twice that, was putting them in such a position that they were operating at a loss; that it represented too large a proportion of the total operating expenses. We charge them the same for a bus travelling from Toronto to Niagara Falls empty as we do if it is full.

SIR JOSEPH FLAELIE: It is the passenger space you charge for?

HON. MR. MACAULAY: Yes, passenger seat miles. It would perhaps be possible to evolve a system based on the number of passengers actually carried, but it would be too complicated and expensive to operate.

COMMISSIONER WEBSTER: Why do you charge a different rate on the King's highway as compared with the other highways?

HON. MR. MACAULAY: The King's highways are all paved, and it is cheaper to operate over a paved road than it is over a county or township gravel or mud road.

COMMISSIONER WEBSTER: Do you take into consideration in fixing rates, the damage done to gravel roads in the spring and autumn?

HON. MR. MACAULAY: Not only do we take that into account, but we also tax them on another basis, as will be

shown in the schedules. We impose very high license fees. They are in a class by themselves. In addition to the high license fees, which they share with all commercial vehicles -- because a bus is a commercial vehicle -- they have to pay this seat mile tax.

HON. MR. HENRY: In addition to that, the traffic on the minor roads is lighter; consequently the operation is relatively more expensive.

LORD ASHFIELD: This form of tax encourages the smaller sized vehicles, does it?

HON. MR. MACAULAY: There are schedules which show the classifications by weight, and the greater number consists of the intermediary type, of between twenty and twenty-five seats.

HON. MR. HENRY: The charge is somewhat in proportion to the traffic he is carrying. To base the charge on the passenger seat mile, whether he is carrying passengers at all or not, rather suggests to him the advisability of not having too large a bus unless he has a real business. It works that way.

HON. MR. MACAULAY: The passenger miles of travel are calculated by taking the maximum seating capacity of each vehicle multiplied by the number of scheduled miles to be travelled in a month. For instance, the operator of a thirty-passenger bus operating on a provincial highway is charged at the rate of one and one-half cents per scheduled mile of operation of the vehicle. This fee or tax is in addition to the fee charged pursuant to the Highway Traffic Act for permit and markers for the vehicle, which fees are based on the gross weight; i.e., the weight of vehicle plus the carrying capacity of same,

and the carrying capacity is determined by multiplying the seating capacity by 135 pounds.

The Act permits the Department to issue permits conferring special, exclusive or limited rights with respect to the operation of public vehicles. It also provides that such vehicles shall be kept in a safe sanitary condition and shall be equipped with speedometers, fire extinguishers, inside lights and other equipment necessary to the safe operation of the vehicle. The Act requires drivers to be of the minimum age of twenty-one years and prohibits drivers from working more than a maximum of ten hours in any twenty-four hour period. A number of other restrictions dealing with over-crowding, exits, use of trailers, etc., are also included in the Act. Operators of such vehicles are required to take out and keep in effect passenger hazard and property damage insurance for amounts varying according to the size of the vehicle.

LORD ASHFIELD: You permit the use of trailers, do you?

HON. MR. MACAULAY: Trailers are used in connection with common carriers of freight, but not in bus operations.

In 1924 when the Act became effective all persons operating public vehicles were licensed but a policy was established which prevented the licensing of additional operators unless it could be shown to the satisfaction of the department that there was need of service. The result of this policy has been, during the seven years that the department has been licensing these vehicles, to eliminate almost entirely competing lines. Duplication of service on routes has been discontinued by reason of

the absorption or merging of various lines.

Schedules of operation approved by the department have always been carefully checked to ensure that no vehicle was required to be operated at a rate of speed in excess of that permitted such vehicles under the Highway Traffic Act and the average speed required to maintain approved schedules in no instance exceeds thirty miles an hour.

COMMISSIONER LOREE: May I ask whether you feel that automatic governors would be an effective control of speed, and if so whether it would not be much better to adopt such a measure than to depend on police regulation?

HON. MR. MACAULAY: I suppose that would apply to all motor cars. We have threatened the motor trade several times that if they did not stop advertising new cars as capable of travelling seventy-five miles an hour with perfect ease, we would have to put governors on all motor cars.

LORD ASHFIELD: Have you had any experience with governors at all?

HON. MR. MACAULAY: We have had none.

LORD ASHFIELD: We have had them in England, and it was found that they enormously increased the number of accidents. Sometimes it is necessary to have extra speed in an emergency.

HON. MR. MACAULAY: They are usually set at a higher speed than becomes necessary in each case.

SIR JOSEPH FLABELLE: The point is, I suppose, that when in an emergency it is necessary to develop speed rapidly, the automatic governor prevents you from doing so.

LORD ASHFIELD: The driver suddenly finds he has not that extra speed which will get him out of trouble.

SIR JOSEPH FLABELLE: Where a governor is used,

is there an automatic adjustment which will give you the extra speed you may need say on a hill?

LORD ASHFIELD: We have no governors -- we have abandoned them. They cause accidents.

COMMISSIONER LOREE: If you could not get up the speed because of the action of gravity, I should not suppose the governor would be called into action at all.

THE CHAIRMAN: The governor does not control power; it controls speed.

HON. MR. MACAULAY:

In the case of schedules for the operation of vehicles giving a local service along a heavily travelled highway a speed of twenty-five miles per hour will enable the schedule to be adhered to.

Tariff of tolls approved have provided for fares varying in rate per mile according to the type of vehicle operated, the amount of travel, the density of population along the route and the type of highway over which the vehicle is required to be operated. For instance, tariff of tolls for the operation of vehicles over routes in northern Ontario where the highways are not paved and the travel on the route is light, a higher rate per mile is permitted than in southern Ontario where a vehicle might be operated over a paved highway through a thickly populated district.

Periodical inspection of equipment licensed by the department is made by officers of the department. Vehicles, of course, are also subject to inspection by provincial or municipal police officers or constables.

Prior to the coming into effect of the Public

Vehicle Act and the licensing and regulation of public vehicles by the department there was no regularity of service. Vehicles were operated at excessive speeds by reason of competition and lack of regulation and were of a type not at all suited for the public service. Services were originally inaugurated at the request of persons residing along the main travelled highways who were not conveniently located to avail themselves of other forms of transportation. The vehicles were, in most cases, operated by the owners who were not financially responsible, carried no insurance to protect the passengers and, generally speaking, were not of the type desirable to engage in the business. Immediately the law became effective a marked improvement not only in the vehicles but in the type of owner and operator was evident and today the service given on the various public vehicle routes licensed by the department is regular and dependable with few complaints of excessive speed or careless driving and with a minimum of accidents.

Mr. Bickell, the registrar of motor vehicles, was just telling me that while in answer to a question I said there were ninety operators, 70 per cent of the mileage would be under operation by about eight connected companies. It is getting into the hands of transportation interests who are affiliated with the coach lines in the United States, and the type of service is comparable to that outside the big cities of the United States.

COMMISSIONER LEMAN: You are developing through lines?

HON. MR. MACAULAY: Yes. The lesser percentage relates to township school buses, where they may pick up



children and take them to and from consolidated schools. This particular traffic has to do with municipal service rather than with through traffic of any kind.

The present schedule of fees for the operation of public vehicles became effective in November, 1930, and between that date and July, 1925, the fees were at the rate of one-tenth of a cent per passenger mile on provincial highways and one-twentieth on others. Previous to that date and the date of the coming into effect of the law the fee was at the rate of one-eighth of a cent per passenger mile of travel on provincial highways.

Previous to 1925 the Act did not apply to vehicles that were operated on other than highways under the jurisdiction of the department. The two reductions in fees were made following investigations by the department which indicated that the fees being charged represented an apparently unfair percentage of the gross earnings of public vehicle operators.

HON. MR. HENRY: And further, Mr. Macaulay, the first reduction in fees was due to the imposition of the gasoline tax.

HON. MR. MACAULAY: Yes.

LORD ASHFIELD: You spoke about the operation of motor coaches in the city of Toronto; that is outside the jurisdiction of your department. Would a license be given for motor coach operation in the city of Toronto, connected with an outside service, so long as there was no transport for hire within the city itself?

HON. MR. MACAULAY: We have never taken jurisdiction over vehicles that operate solely within one municipality.

LORD ASHFIELD: But they can go into the city from outside?

HON. MR. HENRY: Yes, they go right into the centre, but are not charged for the mileage within the city.

MR. BICKELL: Unless they do local business within the city.

COMMISSIONER WEBSTER: Are the interurban buses allowed to do local business within the city?

HON. MR. MACAULAY: No, but they all have terminals within the city.

LORD ASHFIELD: Who grants that license?

HON. MR. MACAULAY: Our license is a license to operate an interurban public vehicle. While they do not take any passengers in the city, and the city gives them no license to do it, nobody has ever thought of giving them a license for their city terminal. It is simply a place for discharging their passengers.

LORD ASHFIELD: But they have the right to run over the city streets?

HON. MR. MACAULAY: Yes; we have the power to give them that right. As long as they are operating in more than one municipality, we can give any public vehicle the right to run over any streets we see fit.

LORD ASHFIELD: Therefore the effect of that is that any question of congestions arising in the city of Toronto is within the jurisdiction of your department and not of the municipal government.

HON. MR. MACAULAY: We could prevent them from coming in from the outside.

LORD ASHFIELD: Or, alternatively, allow them to come in?

HON. MR. MACAULAY: Yes. Then, Mr. Chairman, I have prepared a short memorandum dealing with the common carriers, which we call public commercial vehicles, and

which have a separate license called for short, the P.C.V. license. This is a more recent development than the buses. We first took control of the bus situation six or seven years ago and have been gradually developing it; the control of the public commercial vehicles goes back only four years.

COMMISSIONER LOREE: Is this a passenger service?

HON. MR. MACAULAY: No, this is truck -- freight service.

COMMISSIONER LOREE: Before you leave the passenger service, what is your own view of the next ten years of experience?

HON. MR. MACAULAY: In the passenger business?

COMMISSIONER LOREE: Yes. Will it grow, or will it be eliminated, or what are the prospects?

HON. MR. MACAULAY: I would not like to put it up against your opinion. You have just said it is going to die away; I think it is going to grow.

COMMISSIONER LOREE: I want to challenge my opinion with yours.

HON. MR. MACAULAY: I think it is going to grow. As good an example as I can give is the city of St. Thomas. It is a divisional point on the Michigan Central and the Pere Marquette, not half way but on the way from Detroit to Buffalo. It has fairly good rail connection with Toronto, Hamilton and Buffalo, yet St. Thomas, and London, a few miles to the north, is reached from one of our bus operations in the province of Ontario, as I will show you on the map. This might be an opportune time to pass around these maps, which will give you an idea of our system.

COMMISSIONER LOREE: I do not find that any of these bus lines in the States are paying dividends. We



operated for a while a bus line that had 103 buses, but we failed to make both ends meet when we made a proper allowance for depreciation and other items that should be accounted for.

HON. MR. MACAULAY: Did you give them a fair chance to stand on their own feet?

COMMISSIONER LOREE: We tried to. The history of it was this: we were operating a street car line in the neighbourhood of Albany and Troy. A great deal of street paving had to be done and there was the overhauling of the tracks to look forward to. We decided that if we substituted a bus line we could determine when the buses needed renewal whether we would continue the service or not. So we chartered a bus company and established a service, picking up the tracks where we could. We put into the bus line \$1,300,000 as against the \$1,200,000 which we calculated the repairing programme would entail, so that we had \$100,000 at stake. We cut our losses in two but we never made the buses pay. We subsequently sold the line, but we were looking forward to abandoning it when the buses wore out.

HON. MR. MACAULAY: Well, so far as we know the bus line operation between Detroit and Buffalo is one of the most profitable of our bus companies, is it not, Mr. Bickell?

MR. BICKELL: I should think so.

HON. MR. MACAULAY: That runs from Detroit to Buffalo over our King's highway, and there is no lack of funds for the capital development of the company.

COMMISSIONER LOREE: I pass them every morning going into New York; they run to Chicago and to all the nearby towns -- Allentown, Pennsylvania, and throughout the whole district. I have not found any of them paying dividends. I was talking to one of the largest bus operators in that

neighbourhood a while ago, and he said it was a lucky month when he made both ends meet.

HON. MR. MACAULAY: Perhaps they took it out in big salaries.

COMMISSIONER LOREE: We didn't. I don't know how the others do.

HON. MR. MACAULAY: Somebody is getting paid for operating it.

HON. MR. McCREA: I am of the opinion that you are, Mr. Loree, but may I ask this: is there any suggestion that any of the big motor companies subsidize or aid any particular person or individual to get going, while business is normally on the up-swing, by way of an advertisement or inducement to people to take up that line of work?

COMMISSIONER LOREE: That I could not say; I have no personal knowledge of it. I do know it is so with regard to the taxi cab business, because I served on a commission of the mayor of New York to look into that matter. The larger producers of taxi cabs organized companies for that service, and put their own stock in there.

HON. MR. McCREA: That is what I have in mind -- whether large financial interests behind certain cars or types of production were not doing something of the kind.

COMMISSIONER LOREE: I cannot say whether it is done in the highway business, but they certainly do it in the taxi cab business all over the country.

HON. MR. HENRY: We had that very definitely in the beginning of the bus service. Sales agencies were handing equipment over to people without any means at all in order to stimulate the business. There was a great deal of that done. They even undertook to get a license from the department for anyone who would buy a bus from



them, but they failed to produce any real evidence of need for such a service, and it soon ceased.

HON. MR. McCREA: Someone takes the loss.

HON. MR. HENRY: They lost their money any way, because they were selling equipment to individuals who were entirely unable to pay.

HON. MR. MACAULAY: That is one of the curses of the bus business, and it is worse in the truck business because they do not have to have quite so large a capital investment. But the mortgaging of the future income of the individual and the extending of loose credit has been one of the principal reasons, perhaps, for the position we are in to-day, and it has been more prevalent with the bus and truck than any other aspect of the motor industry. To the extent that they forced these pieces of equipment on incompetent operators and the business has been overdone, I agree.

COMMISSIONER LEMAN: I think, Mr. Macaulay, Mr. Leree's statement is substantially correct, that very few of the bus companies are paying dividends. But I think it is necessary to go back to the reason for that condition.

Franchises were granted in small sections to individual operators who built up a small business without considering fixed charges, without any proper plan for amortization, and very often without proper insurance. These various units were picked up by companies who placed them on a satisfactory basis, but who had to buy on the basis of the earning power which that man had, according to his books.

HON. MR. MACAULAY: That is quite right; that is the point.

COMMISSIONER LEMAN: I think that is at the bottom of the whole trouble; that these undertakings have been



capitalized on the basis of what the man who was not operating on a sound financial basis had established to be his earnings.

LORD ASHFIELD: And it was done deliberately, I have no doubt.

COMMISSIONER LEWAN: It was done deliberately.

HON. MR. MACAULAY: That was in the halcyon days of 1928-29.

COMMISSIONER LOREE: This Commission has to find some answer to the problem, and I am trying to elucidate one side of it.

HON. MR. MACAULAY: I think I can say that those that have come within my observation have paid too much for some routes, largely on the basis of the goodwill.

COMMISSIONER LOREE: In the two cases I spoke of -- my own experience and that of the gentleman I mentioned -- there was no swelling of the capital; the money was the amount actually paid for new vehicles.

HON. MR. McCREA: May I ask, Mr. Macaulay, whether the Department of Highways has any knowledge of any concerns of this type making money and paying dividends on a properly organized business basis.

HON. MR. MACAULAY: I will ask Mr. Bickell, who has charge of the bus operations, to answer that question if he can.

MR. BICKELL: I am afraid we have no very definite knowledge on that subject, Mr. McCrea. We do know that there have been a number of cases of operators who have substantially increased their equipment purely out of earnings. I have in mind one operator who runs from Toronto east to Kingston; he started out perhaps seven

or eight years ago with one or two buses. I suppose it is now one of the best organized bus routes there is; he has fifteen or twenty buses to-day, the very best type of equipment, and they have been bought wholly out of earnings. I know he had no capital to start with.

COMMISSIONER LEMAN: That would be an individual.

MR. BICKELL: That would be an individual, but I have no knowledge of any companies.

SIR JOSEPH FLAELLE: I suppose the fifteen or twenty buses would be bought from the manufacturers to be paid for over a number of years.

MR. BICKELL: Yes, I have no doubt that is so.

SIR JOSEPH FLAELLE: And the payments he would make would be marginal payments upon an equipment that would have to be absorbed by a progressive period of successful operations?

MR. BICKELL: Yes.

SIR JOSEPH FLAELLE: I am sure the purpose is not at all to establish that buses or trucks can or cannot be satisfactorily operated. But in the development of this truck business, what are the facts in relation to earning power where there is a proper depreciation set up and where the charges imposed by the state are sufficient to recoup the state for the use of the highways? The whole service is so new that unless you have an incorporated company which publishes its statements, it is difficult to know what is the real basis of the operating accounts. I gather from what you say that you have not much information.

MR. BICKELL: I have no knowledge of it, no. But there is in Ontario a well organized association of bus

operators, and I understand that they have prepared some interesting data.

COMMISSIONER LEMAN: There was a representation in Montreal, Sir Joseph.

SIR JOSEPH FLAELLE: The representative of the association said he would bring his material here, but I understand they have not been able to get it ready and will ask the Commission to hear them later.

LORD ASHFIELD: If I may venture a comparison between one country and another, so far as bus and coach operations in Great Britain are concerned they are on a very profitable basis. The taxes paid by one company alone more than cover the cost of maintaining all the roads on which they operate. I may add that all the motor coach services operating in Great Britain now are shared with the main line railway companies, who are 50 per cent owners of all these services. The prices which the railways paid for that interest certainly proves conclusively that the motor coach services are on a very profitable basis.

COMMISSIONER LOREE: Take a parallel case: the railroads originally bought a half interest in the carrier companies, and then finally bought them all out -- the Pickford Company, for instance, who were carrying merchandise from London to Manchester, and so on. Last year they lost \$6,000,000 in that operation.

HON. MR. McCREA: I suppose the services to which his lordship refers would compare to the Fifth Avenue bus service in New York. That must be a paying proposition.

COMMISSIONER LOREE: Oh, that is very profitable. They have a ten cent fare.

LORD ASHFIELD: I refer to the services between

London and Glasgow, Edinburgh, Birmingham, Manchester, Swansea, and so on.

SIR JOSEPH FLAVELLE: You are speaking of passenger services; what about your freight service?

LORD ASHFIELD: There are very few common carriers.

SIR JOSEPH FLAVELLE: To what extent has a study been made of the possibility of making the amount paid to the state by the motor carrier, an enterprise which is in competition with the railways, equivalent to the charges which the railways have to bear in the maintenance of their right of way and the carrying of their traffic. I know there is a tendency to irritation in some of the provinces at any suggestion that a service which is so useful to the community should in any sense be questioned because the railways do not like it. But whether we have any motor services or not, we must have railway services, and I should think the Commission would wish to know what is done in each of the provinces to establish a parity of operating relations bearing upon the cost of roadbed and the services rendered over it. If that has not been made a matter of careful study on the part of the departments, Mr. Prime Minister, I would respectfully suggest that it is a field that might fairly be covered.

HON. MR. MACAULAY: Well, Sir Joseph, the highways were originally built for private passenger cars. No highways have been built yet in this province, as far as I know, for the common carrier or for the bus.

SIR JOSEPH FLAVELLE: Not exclusively.

HON. MR. MACAULAY: Or largely. I do not know of any highway we would not have constructed if there had been no common carrier and no bus.

SIR JOSEPH FLAELIE: I am not thinking of the entire cost of the highway being borne by the common carrier or by the bus; I would hope that the private vehicles would come under the same supervision as to the amount which they should contribute in respect of the very costly roads on which they operate. I am afraid that in the west -- I do not know how it is with you here -- there has been a large accumulation of debts for the building of roads, without any corresponding revenue for maintenance, interest on securities, and reasonable sinking fund.

HON. MR. MACAULAY: This year we will get by way of revenue from our motor traffic, including trucks and buses, approximately \$20,000,000, and our total budget will not exceed \$60,000,000, so that we are going to get one third of all our revenue this year from motor traffic.

COMMISSIONER LEMAN: You mean that \$60,000,000 will be the total budget of the province?

HON. MR. MACAULAY: Yes.

COMMISSIONER LEMAN: What would be your highway budget, in round figures?

HON. MR. MACAULAY: We have not decided yet. If public opinion continues as it is, we won't spend anything on highways this year.

COMMISSIONER LEMAN: You will have your maintenance?

HON. MR. MACAULAY: That amounts to \$2,500,000 a year.

SIR JOSEPH FLAELLE: On 3,000 miles of road?

HON. MR. MACAULAY: Yes.

COMMISSIONER LOREE: This subject has many ramifications. I have a place in the country, and I have paid half the expense of the construction of a concrete pavement

on the highway that runs past it. Nineteen thousand motor cars use that highway every day, and practically none of the owners of those cars live in the township; they are strangers who come into the community, yet I am saddled with that expense.

HON. MR. MACAULAY: Well, I can say this much, sir: we have a definite view as a provincial government that highways have built up the cities and torn down the villages and towns and country communities, and that the cities should contribute something to it.

THE CHAIRMAN: In connection with works under your local improvement system, what proportion does the municipality pay, do you happen to know?

HON. MR. MACAULAY: For pavement?

THE CHAIRMAN: Well, sidewalks, for example.

HON. MR. MACAULAY: The municipality does not pay anything for a pavement or sidewalk except that proportion at the intersection which constitutes the corporation's share.

HON. MR. HENRY: I think they estimate that at about 20 per cent.

HON. MR. MACAULAY: It usually runs to 20 per cent of the total cost.

THE CHAIRMAN: So that the pedestrian really does not contribute anything. The frontager pays the whole thing.

HON. MR. MACAULAY: Well, the pedestrian is a frontager somewhere else, probably.

SIR JOSEPH FLAVELLE: With regard to your lordship's suggestion as to the relation of the taxes paid by Lendon buses to maintenance charges, perhaps the maintenance charge

is not the large end of it. Do they pay anything towards the interest?

LORD ASHFIELD: Interest on the cost of building the road?

SIR JOSEPH FLAELLE: Yes.

LORD ASHFIELD: I could not answer that. The road development in that area is comparatively small. It is a very old established community.

SIR JOSEPH FLAELLE: Maintenance is the heavy end?

LORD ASHFIELD: Much the heavier end.

HON. MR. MACAULAY: On the question of maintenance charges it is difficult to make a comparison between the highway and the railway. We can follow the contour of the country to a certain extent, not only up and down, but in turning, and so on. We have the minimum number of bridges, culverts and structures of that kind, and our maintenance charges cannot be compared in any scientific way with those of a railroad.

HON. MR. HENRY: If you will allow me, Sir Joseph -- I think this will partly answer your question: when we instituted the passenger seat mile tax we had not anything to go by. Mr. Bickell will correct me if I am wrong, but I do not think there is any state in the union that had anything just comparable to it.

COMMISSIONER LOREE: I do not know of any, sir.

HON. MR. HENRY: It was said that in the operation of radial railways, 20 per cent of the gross earnings went towards the upkeep of the roadbed. When we instituted the toll against the operator of a bus, we did so more or less blindly, because we did not know anything about the cost of operation; in fact the operators themselves did not

know. But we sought to get from eight to ten per cent of their gross earnings towards the upkeep of the road. I do not know how close we were to it; we had difficulties with a number of individual operators who had no capacity to keep books and knew nothing about cost. Subsequently we were getting information from some of the larger operators, particularly from the Gray Coach Lines, which is a subsidiary of the Toronto Transportation Commission. I do not know what percentage we were getting back in 1929 when the traffic was normal, but originally we had the idea of getting about 10 per cent of their gross earnings towards the upkeep of the road. As the service was new we did not think it a good rule that they should be in the same position as a radial railway -- taking 20 per cent of their gross earnings to take care of the roadbed. Now, in relation to truck traffic and hauling generally, three years ago last fall we sought to take a toll per ton, but there were so many ways of evading it that it operated only about three months. We did not get very much of what we were entitled to under the regulations we had set up, so we abandoned it until we had more light on the subject and a more complete control of the traffic. That is the situation in relation to our taxes against public operators. In the revamping of the rates against trucks for this present year we increased them very materially, because they were not paying anything except a nominal license fee and whatever they contributed through the medium of the gasoline tax. I think on some of the heavier equipment we increased the rates about 50 per cent.

SIR JOSEPH FLAVELLA: So that you are still in the process of evolving what may be an ultimate plan.

HON. MR. HENRY: Yes, and how much they should contribute.

HON. MR. McCREA: In the reference Mr. Macaulay made to the revenues, \$20,000,000 as against \$60,000,000 -- he was speaking of ordinary revenues -- it should not be overlooked that a very substantial part of the debt arises out of the development of this general road system.

SIR JOSEPH FLAVELLE: I was going to ask what was the debt for your general road system.

HON. MR. MACAULAY: We have been charging all construction cost to capital, putting it in the public debt. At the end of 1931 it amounted to \$140,000,000. We have two systems of highways, the King's Highways in southern Ontario and the organized counties of the province on which the debt now amounts to \$113,000,000. For the purpose of comparing the cost and the revenue of our highway system, we include in it the northern Ontario system of highways, which is under another department, that of Northern Development, but it is all road expenditure. If the two were added together, that and the Northern development -- roads north of the Severn River -- the capital charges to date would run to about \$140,000,000. If you charged interest on that at 5 per cent, \$7,000,000, plus maintenance of \$2,500,000, you would have a total of \$9,500,000. Then charge something to amortize it at 5 per cent -- how long, Sir Joseph, would it take to amortize the debt?

SIR JOSEPH FLAVELLE: I am afraid you will have to ask some of the actuarial gentlemen here.

HON. MR. MACAULAY: I suppose I would have to figure it out. But within probably 14 years you would still have a substantial surplus of revenue on the present basis.

HON. MR. HENRY: From which has to be paid the amounts incurred by the townships.

HON. MR. MACAULAY: In addition to that we have not only to pay the cost of construction and interest on our own highways, but we pay 50 per cent of the cost of all county highways, and this year it amounts to \$4,400,000 as our share.

SIR JOSEPH FLAVELLE: And the amount you pay for the

township highways.

HON. MR. MACAULAY: And we pay 40 per cent of the cost of the township highways. This year that amounts to \$2,100,000 odd.

HON. MR. McCREA: I suppose, Sir Joseph, allowing for the relative efficiencies as between the companies to which his Lordship has referred and the bus companies here, that the success of one and perhaps the doubt as to the success of the other all comes back to density of traffic?

LORD ASHFIELD: Yes.

SIR JOSEPH FLAVELLE: You see, his Lordship with his company is serving a community in that metropolitan area as great as the population of all Canada. What is the extent of that area, Lord Ashfield?

LORD ASHFIELD: It extends a distance of thirty-five miles from Charing Cross.

SIR JOSEPH FLAVELLE: It has a tremendous density of traffic.

HON. MR. McCREA: Relatively speaking, the trouble today of both the Canadian National and the Canadian Pacific is lack of business or earning power.

SIR JOSEPH FLAVELLE: They are covering a tremendous area.

HON. MR. MACAULAY: That is the trouble of railroads all over the world -- lack of business. I see railway receiverships are threatened all over the United States.

COMMISSIONER LOREE: That brings up a question very much on my mind. If I were paying the wage scale of 1913 on the business of today, instead of earning less than \$100,000 over my fixed charges, I could pay a 20 per cent dividend. Now, what has the volume of business got to do with it?

HON. MR. MACAULAY: Car loadings seem to be down.

COMMISSIONER LOREE: They are; but wages keep up.

The interest on capital is less than what it was in 1913; the cost of living is only 30 per cent more; rates are only 40 per cent more; wages are 184 per cent more. I think that is the whole story of the railroad trouble.

HON. MR. MACAULAY: You think the level of wages is higher proportionately than it is in other industries?

COMMISSIONER LOREE: I should say in other industries it is coming down, but it does not recede much on the railroads.

HON. MR. MACAULAY: You already have a map showing the routes of the buses. These are two maps showing the truck routes. These are truck lines operating as common carriers.

SIR JOSEPH FLAELLE: They cover more territory than the buses.

HON. MR. MACAULAY: Yes. It is the same highway system, but it is marked with different routes. I have a short memorandum which perhaps will be of some interest to the Commission. I will read it:

The Public Commercial Vehicle Act was enacted in 1927, and pursuant to the authority vested in the Lieutenant Governor in Council regulations regarding licenses, the amount of insurance to be carried on goods, wares or merchandise, and generally for the better carrying out of the provisions of the Act, were passed and became effective in September, 1928. Owing, however, to the fact that the Act did not apply and specifically exempted a vehicle while hired or used by any person for the transportation of his

own goods, wares or merchandise, the Act and regulations were found to be difficult of enforcement, and in January, 1931, following an amendment to the Act, new regulations were promulgated and became effective on the 1st of April, 1931. The amendment to the Act broadened the scope of same by interpreting a public commercial vehicle as follows:

"Public Commercial Vehicle" shall mean a motor vehicle operated on a public highway by or on behalf of any person who holds himself out to the public as carrying on the business of a public carrier of goods, wares or merchandise, and running between two or more municipalities, but shall not include a motor vehicle while hired or used by any person for the transportation of his own goods, wares, or merchandise exclusively.

The new regulations which became effective on the 1st April, 1931, provide for the classification of public commercial vehicles used for hire in the four classes as follows:

Class "A" Common Carrier.

Any motor vehicle operated for hire, pay or gain for the transportation of property between fixed termini or over a regular route on the King's Highway.

Class "B" Common Carrier.

Any motor vehicle operated for hire, pay or gain for the transportation of property between fixed termini or over a regular route from or to a point not on the King's Highway.

Class "C" Private Carrier.

Any motor vehicle operated for hire, pay or gain for the transportation of property belonging to one person only on a trip.

Class "D" Private Carrier.

Any motor vehicle operated for hire, pay or gain under contract for the transportation of property and vehicles designed and used exclusively for the transportation of a particular type of property.

The regulations provide for the licensing of such vehicles by the department and vest in the minister authority to refuse a license for any reason which he may deem sufficient.

We seek to get away from the impression that the franchise is perpetual; it is renewable annually.

SIR JOSEPH FLAELLE: It is a franchise on good behaviour.

HON MR. MACAULAY: Yes, like the franchise of a good judge, I suppose.

Licenses issued under class "A" and "B" designate the route between fixed termini over which the vehicle is permitted to operate, and it is required that all vehicles licensed display a plate indicating the class of license issued, and in addition a sign designating the route and class of operation.

All licenses issued expire on March 31st of each year and are renewable yearly at the department's discretion.

The fee payable annually for a license to operate is \$10.00 with an additional \$2.00 for each set of markers issued.

That fee of \$10.00 is in addition to the ordinary fee payable for a truck. On the commercial vehicle the fee payable is on the gross weight. Under our new scale of fees most of these vehicles will be subject to a payment of about \$100.

SIR JOSEPH FLAELLE: Just for registration?

HON. MR. MACAULAY: Just for registration. If the owner wants to use his vehicle in the common carrier business we have been adding \$10 to the fee, but as those licenses expire on March 31st next we have not yet determined what the fee shall be for the next year. I have told those in the business that it is going to be very much higher. As the Prime Minister has said, we have increased the truck fees very materially, over 35 per cent. Those licenses all expired on December 31st. The owners of trucks engaged in the common carrier business have to renew their licenses on the 1st of April, and on top of the other increase there will be a very material increase in the fees.

SIR JOSEPH FLAELLE: Have you yet determined what your gasoline tax will be?

HON. MR. MACAULAY: That is coming up for determination. It must be done by legislation.

SIR JOSEPH FLAELLE: At present it is five cents per gallon.

HON. MR. MACAULAY: Yes. Quebec has raised its gasoline tax, and I believe the western provinces are considering raising theirs. It looks as if the provincial tax on gasoline will be six cents throughout the Dominion.

LORD ASHFIELD: In my country it is eight pence.

SIR JOSEPH FLAELLE: Sixteen cents.

HON. MR. MACAULAY: Have you any idea how much revenue would be raised from that tax?

LORD ASHFIELD: It is a very substantial figure.

HON. MR. McCREA: Your Lordship, the sixteen cents tax is levied without reference to the cost of construction or maintenance of the roads?

LORD ASHFIELD: None whatever.

HON. MR. McCREA: It is a tax in the general interest of the State?

LORD ASHFIELD: It is simply for the purpose of raising revenue under the budget.

HON. MR. MACAULAY: The memorandum proceeds:

Except in the case of those vehicles used in the conveyance of farm, dairy products and livestock, all other licensed vehicles are required to use a uniform bill of lading which prescribes the carrier's liability in the event of loss or damage to cargo, and also a complete description of cargo carried, together with carrying charges, etc.

Owners of public commercial vehicle licenses are also required to take out and keep in force a policy covering the cargo carried in amounts varying from \$500 to \$2,000.

Provision is made for a maximum of working hours for drivers of public commercial vehicles, which shall not exceed ten hours in any twenty-four hour period.

Vehicles operated under this Act are subject to inspection by authorized inspectors of the department or by provincial or municipal police.

In the past year our regulations have covered the size of vehicles, the axle weight, the load according to the size and character of the tires, the springs, the speed, lights, signs and so on.

COMMISSIONER LOREE: Do you still license trucks with solid tires?

HON. MR. MACAULAY: We have issued no licenses for new solid tire trucks for I suppose seven years. We are renewing the licenses of those solid tired trucks that are not yet worn out. Some of those solid tired vehicles have a surprisingly long life.

I will summarize these sheets attached to this statement, which will be filed. The first sheet shows the revenue collected since 1904 divided into gross revenue, gasoline tax and chauffeur and operator licenses.

Another schedule shows the division of our revenue among passenger cars, commercial vehicles, public vehicles and public commercial vehicles. I think these statements will give you a complete picture of the bus and truck operations in this province.

What is your view, Lord Ashfield as to the abolition of the speed limit?

LORD ASHFIELD: We can only judge by the experience we have had. So far the comments are wholly favourable to it, accidents have decreased, and we are discovering that drivers are becoming more careful and exercising greater skill.

HON. MR. MACAULAY: This is a statement of bus and truck statistics for the province.

Chart number 1 shows the distribution of our pneumatic tired busses by gross weight. There are 766 of these

varying in weight from less than two tons up to ten. The larger number of these, 23.50 per cent, representing buses of ten tons gross weight.

Plate number 2 deals with the seating capacity; 74 per cent of the buses have a capacity from 21 to 30 seats.

Plate number 3 shows the percentage distribution of bus routes on the King's highways, county and other roads, and the total daily mileage operated. You will observe in the first part of this exhibit that 71.85 per cent of the mileage bus routes is over the King's highways, representing a total mileage of 3,027. The total mileage of county and township roads is 38,493, of which 2.57 per cent is travelled by buses. The second part of this plate gives you the total bus mileage per day on the King's highway and on the other roads.

Plate number 4 attempts to show the percentage distribution of fees and taxes paid on a bus operating on the King's highways as compared with a private passenger car. A bus of ten tons gross weight with 30 passenger capacity, travelling 30,000 miles a year, with a gas consumption on the average of 6 miles per gallon, contributes to us a revenue of \$830 a year, made up of: Registration fee, \$130; gas tax, \$250; operating fee, \$450. A private passenger car, of course, does not travel 30,000 miles a year, on an average it travels 5,000 miles, but to compare it with the bus travelling the same mileage we have put in a computation which shows that the passenger car would contribute to us in revenue \$106.

Plate number 5 shows the percentage distribution of passenger cars and buses licensed as public vehicles -- 489,713 private passenger cars and 629 buses.

COMMISSIONER LYNNAN: Which answers your question, Sir Joseph, as to the distribution of the cost. It would be

infinitesimal on the public vehicles.

SIR JOSEPH FLAELLE: Yes.

HON. MR. MACAULAY: Plate number 6 shows the percentage distribution of pneumatic tired trucks by gross weight. Thirty four per cent of these are under two tons. That is something to be borne in mind when you are thinking of the freight truck problem on the highway. A great percentage of the trucks are light vehicles used by the small local retailer, the butcher and the grocer, and so on, and the small industry or the small builder in the village or town, and even the fellow that uses a lawn mower and other gardening tools, as well as the farmer who now takes to market some of his farm products. We charge those small trucks the lowest fee, \$10.

Plate number 7 shows the percentage distribution of solid tired trucks by gross weight. There are 1,127 of these hardy veterans still in existence.

Plate number 8 shows the percentage distribution of trailers by gross weight. We have 9,673 trailers registered, of which 78.85 per cent are one ton and under.

SIR JOSEPH FLAELLE: Have you anything in your records to show the percentage of accidents by reason of trailers?

HON. MR. MACAULAY: Mr. Bickell, have you anything in your accident reporting bureau to show how many accidents are due to trailers?

MR. J. P. BICKELL(Registrar of Motor Vehicles): Yes, we can furnish that information.

HON. MR. MACAULAY: We have a very complete accident reporting record now, as under the financial responsibility sections of our Act everybody has to carry insurance once

he becomes involved in an accident. I will ask Mr. Bickell to file some data on that.

SIR JOSEPH FLAVELLE: What I have in mind is perhaps somewhat difficult to tabulate, namely, how far accidents are brought about by the obstruction to vision when the driver of a passenger car attempts to pass a truck with a long trailer attached. I suppose there is no way of determining to what extent accidents are brought about by that situation.

MR. BICKELL: No. There might be many cases where that would be a contributing cause of the accident.

HON. MR. McCREA: Would you have a report of the number of accidents where trailers were involved?

MR. BICKELL: I will get that.

HON. MR. HENRY: We have a restriction on the length of the motor train, and we are inclined to restrict it still further; the length of the motor vehicle is also restricted.

SIR JOSEPH FLAVELLE: What is your maximum length at the present time?

HON. MR. MACAULAY: 33 feet for one vehicle; 65 feet for a train.

SIR JOSEPH FLAVELLE: You allow two trailers?

HON. MR. HENRY: Yes; sometimes it is a semi-trailer with just a truck.

HON. MR. MACAULAY: Plate number 9 shows the percentage distribution of trucks privately owned and trucks licensed as public commercial vehicles. 94.48 per cent of our trucks and trailers are privately owned.

Plate number 10 shows the percentage distribution of trucks operating as public commercial vehicles by gross weight and class. Those are the classes I mentioned a short time ago, namely, common carriers, private carriers, contract

carriers, and farm, dairy products and livestock carriers. The vehicles classified vary in weight from four up to fifteen tons.

Plate number 11 gives the percentage distribution of tonnage conveyed on owners vehicles over the King's highway and tonnage conveyed on vehicles licensed as public commercial vehicles. This is a debatable exhibit, but I thought I would put it in to give the Commission all the information we have in our department. We have a number of weigh scales in the province at which our officers are making a continuous check of trucks to see if they are overloaded. For one test over a period of six weeks we compelled every truck passing that weigh station to be inspected whether the owner was operating as a common carrier or not, to get some estimate of the amount of business passing over our highways. This check showed that from those observation points on those particular roads during that period practically 70 per cent of the freight was being carried by public commercial vehicles, and about 30 per cent by privately owned trucks.

COMMISSIONER LOREE: Could you give the tonnage handled?

HON. MR. MACAULAY: We could get that information. It was valuable simply as setting up a standard of the tonnage passing those points for six weeks. It would not give you an idea of the total tonnage in the province.

COMMISSIONER LEMAN: Was this check made at several separate points?

HON. MR. MACAULAY: At eight or nine places. There might be plenty of freight going on those highways that did not pass those points.

THE CHAIRMAN: And the peaks would not be extensive enough to enable you to get an average?

HON. MR. MACAULAY: I think they would. The checks were taken in all parts of the province; I think that would be an average movement.

THE CHAIRMAN: I do not mean average ratio, but average tonnage.

HON. MR. MACAULAY: No, it is of no value for that at all.

COMMISSIONER LEMAN: Those carrying goods and merchandise without a license would probably avoid those highways and take some other routes?

HON. MR. MACAULAY: Well, we have those scales at strategic points outside the large urban centres, and it is well nigh impossible to get into those centres without passing those stations.

COMMISSIONER LEMAN: You think that would be a pretty close indication?

HON. MR. MACAULAY: We are giving it to you for what it may be worth.

HON. MR. McCREA: Should any indication be given of the seasonal picture?

HON. MR. MACAULAY: Yes, that would vary it again. Of course, another deduction you might take is that a great deal of the truck traffic is in the cities where we cannot measure it. The common carriers operate between cities, but the private trucks of wholesale and manufacturing concerns operate almost wholly within the urban centres.

HON. MR. McCREA: That would not give any comparison of what the railways might have done, because they would not have entered into the picture there.

HON. MR. MACAULAY: Plate number 12 is a percentage distribution of passenger cars and trucks registered. It shows that 489,713 passenger cars were registered, or 87.77 per cent of the total, and 59,873 trucks, representing a percentage of 12.23.

Plate number 13 attempts to meet in a superficial way what Sir Joseph referred to as the contribution by passenger cars, commercial vehicles and common carriers to the revenue of the province, although it is not hooked up with a similar exhibit showing the cost of operation of those various classes. Last year we collected in registrations and revenue, other than gasoline tax, \$5,795,307 from 568,193 vehicles. Of this total private passenger cars contributed over one half, or \$3,066,140 -- of course they are about five-sixths of the total registrations; commercial vehicles contributed, \$1,247,979; common carriers, \$272,504; buses, \$150,923; miscellaneous, \$1,057,761. This last item represents drivers permits amounting to \$700,000 and other odd items.

The second portion of this plate is an attempt to estimate what the gasoline tax yields to us from each of these classes; that is purely speculative. We received nearly \$11,000,000 by way of gasoline tax. Part of this was contributed by tourists. Last year three and a half million tourist cars entered the province, some for not more than twenty-four hours, coming in by Detroit and going out by Buffalo. This is our best estimate of what we received by way of gasoline tax from tourists, commercial cars and private passenger cars. It may be of some value.

SIR JOSEPH FLAVELLE: It is interesting that you should think the tourists would pay 11 per cent of the

gasoline tax as against our own 71 per cent.

HON. MR. MACAULAY: We have over 491,000 private passenger cars, and over three and a half million tourists entered the province for a short time. We had to estimate how long they stayed here, how many miles they travelled per day, and other unknown quantities.

HON. MR. HENRY: You secured that information from a questionnaire distributed at the border?

HON. MR. MACAULAY: Yes. When a tourist comes into the country we give him a schedule of questions and ask him to fill it out and hand it to our officers when he leaves the country at another port. The information I have here shows that in 1931 the average number of persons in each car was 3.2; the average number of days stay 5.2; the average number of miles travelled, 704; the average expenditure per car, \$81.61, and per person \$25.50; average per car per day, \$15.70; average expenditure per person per day, \$4.94. We had always estimated that the tourist spent per day \$5.00, and this shows that we are within six cents of the actual amount as disclosed by the answers to this questionnaire.

HON. MR. HENRY: I remember that about five years ago we got practically the same figure from our questionnaire.

HON. MR. MACAULAY: There is very little difference. Then I will file a table showing the expenditures on provincial highways, county roads and township roads, for the last thirty years in case the information may be of any statistical value.

That is all I have to say, Mr. Chairman. I should like my deputy, Mr. Smith, to deal with the construction of highways, particularly with reference to the added burden that some people think is put upon the Department of

Highways by reason of the heavier bus and truck operation. He had the advantage of dealing with the authorities at Washington, and his experience may be of interest to the Commission.

THE CHAIRMAN: Yes.

MR. R. M. SMITH(Deputy Minister of Highways): Mr. Chairman, possibly one of the things that has not been discussed this morning is our traffic census. For a number of years we have taken an annual traffic census in which we record all classes of traffic at various points. It may be of interest to know that last year and for a number of years prior bus traffic has not exceeded 66 per cent of the total traffic.

THE CHAIRMAN: That is in the number of vehicles?

MR. SMITH: That pass those points; and the truck traffic is under 10 per cent of the total number.

I have prepared a brief statement which, I think, justifies our standard of construction. My thought in preparing the statement was that so far as bus and truck are concerned in our highway construction they are practically not worth taking into account. We are building the same type of road that we started to build before the truck and bus were serious factors. We have found that to build any other type is not advantageous, economical or desirable.

Take the Toronto-Hamilton highway, constructed in 1915-16. It was built with a concrete surface of a thickness of six inches in the centre and eight inches at the sides. Since construction it has taken on an average a traffic of 5,000 vehicles winter and summer. Certain cracks developed in the concrete the second year after the highway

was built. Those cracks are practically the same, there has been very little extension, and a great deal of the surface is typically what it was when constructed, although it has taken this tremendous traffic.

Now we are building even a better type of highway. We have changed the design. The Toronto-Hamilton construction had no centre joint, but you will find that the surface is cracked almost entirely from end to end at two points; the pavement is eighteen feet wide and you will find a crack six feet from one edge, and then over from the other edge another crack. So in 1923 we designed a type of pavement that could crack if it wanted to, but where we wanted it to, and that was down the centre. All you people who have passed over a concrete highway built since 1923 will recall that there is a joint down the centre from end to end. It was put there intentionally to make the crack occur along that definite line. The crack has been tarred and treated, and it provides now a traffic line, giving an improved drive, particularly at night.

Now, the Toronto-Hamilton highway has taken the tremendous traffic that has been plying over it for something like sixteen years, that is, 5,000 vehicles a day, but in many sections of the province we have roads of higher type which have to take only 2,000 vehicles a day. What will be the life of those roads we do not know. It is a fact that so far as truck traffic is concerned, the surface of the new sections of highway are practically the same as when built -- the trowel marks are still there.

But a pavement will deteriorate eventually because

of climatic conditions. I think if a study is made -- and we have made a study of a portion of our highway system -- it will be found that the deterioration is due either to subsoil conditions or to climatic conditions on top.

SIR JOSEPH FLAELLE: What about drainage?

MR. SMITH: We have made an effort in our construction to get the best drainage we could possibly secure. Many of our roads are tiled almost from end to end, and certainly most of them are ditched. But we have almost gumbo clay in many places, and this makes drainage very difficult. The clay is almost impervious and the road will not drain easily. That is where trouble occurs.

HON. MR. MACAULAY: Will roads deteriorate, Mr. Smith, with no traffic on them at all?

MR. SMITH: Yes, they will. I will cite you an instance where we built a concrete pavement five inches in thickness from Port Colborne to Welland. That pavement was laid in 1915. No bus traffic ever passed over the road, and very little truck traffic, and yet the pavement went to pieces in five years time.

HON. MR. McCREA: From what causes?

MR. SMITH: Largely due to climatic conditions. In addition there was a heavy sub-clay. The pavement would not stand up against that combination. My thought is that had we put in an additional thickness that pavement would have been saved, because there would have been sufficient resistance in the pavement itself to withstand that warp and the conditions applying through the winter and spring. We have a variation of temperatures sometimes --

HON. MR. HENRY: I might point out, Mr. Smith, for

the information of Sir Joseph, that a resident divisional engineer studied the road and estimated the amount of drainage required. That was the basis.

SIR JOSEPH FLAVELLE: That is our trouble that they have not in England at all -- our heavy frost.

HON. MR. HENRY: The whole road is not systematically drained from end to end. The department depends on the local engineer's knowledge of the road over a period of years as to what the drainage problem is, and in that way we think the road is adequately drained.

MR. SMITH: We record every break that occurs when the road is in its initial stage of construction. For instance, our first job is to put in culverts and gravel the surface. We then observe that road from year to year until the time comes to put in the pavement with a view to determining how to deal with any bad spots that may develop. We keep a very careful record of those, so when it comes to putting on the surface we have a knowledge of what tiling will be required in order to secure what will be practically a dry sub-grade. Even then it is not always possible. We built a road east of Brampton with a six inch asphaltic surface, a weight quite sufficient to take care of any traffic that might ever go over the road. We completed the construction in 1930, only a year ago last fall, yet last spring, although only comparatively light traffic had gone over it, the road showed signs of deterioration -- there were cracks in the surface and indications of weakness. We also built a road of the same type of asphaltic surface, six inches in depth, this side of Blenheim on highway No. 3. It is rather curious that west of Blenheim the pavement is still standing up,

but east of Blenheim, where we put in the same type of surface in 1929, only one year later that surface showed signs of weakness, although the traffic had not been very heavy. So it has been a matter of building a surface that will resist climatic conditions and the various other things we have to contend with rather than building to take care of this bus and truck traffic.

COMMISSIONER LOREE: Do you reinforce your concrete with steel?

MR. SMITH: In certain sections we do, but not as a general practice. Our concrete as a rule is one inch heavier than that applied throughout the States. The Washington Road Bureau advocate at least nine inches and six inches; we build nothing less than 10 inches and 7 inches -- ten inches at the sides and seven inches in the centre.

COMMISSIONER LOREE: The railroad roadbed for a single track is usually nineteen feet wide. Could that roadbed be used for highway purposes?

MR. SMITH: At present we are building a highway towards Perth, and we had the advantage for a considerable distance of the old Grand Trunk line built something like fifty-four years ago. The grade is being widened out over some eight or nine miles. All the material is there, it is only a matter of spreading it out. The old grade line of the Grand Trunk was comparatively level, it did not run over one per cent; whereas, as Mr. Macaulay mentioned a little while ago, we can build up-hill and down dale. There is plenty of material there to provide for our width of grade, which is thirty feet on top from shoulder to shoulder, giving a five foot shoulder.

COMMISSIONER LORKE: What is your limitation of grade and curvature?

MR. SMITH: Nothing over 7 per cent, and we try to have a minimum radius of 500 feet on curves. We have some curves built in the early days when the standard was not so high where the radius is 500 feet, but generally at the present time there is nothing below 500 feet.

SIR JOSEPH FLAVERLIE: Construction is heavier in the centre, lighter on the outside?

MR. SMITH: No; it is 7 inches in the centre and 10 inches outside. It is a fact that on the Toronto-Hamilton highway we got some corner cracks. There was only 6 inches depth at the sides. We blamed the cracks partly on the traffic that passed over the road and partly on frost heaving and breaking off the corners.

The Commission adjourned at 1.45 p.m.

ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Parliament Buildings, Toronto, on Tuesday, January 19, 1932.

PRESENT:

RIGHT HON. LYMAN POORE DUFF, P.C., Chairman

RIGHT HON. LORD ASHFIELD)

SIR JOSEPH W. FLAVELLE, Bart.)

BEAUDRY LEWAN, Esq.)

LEONOR FRESNEL LORENZ, Esq.) Commissioners

WALTER CHARLES MURRAY, Esq.)

JOHN CLARENCE WEBSTER, Esq.)

Arthur Moxon, Esq., K.C., Secretary

George W. Yates, Esq., Assistant Secretary

PUBLIC MEETING

Representations were made to the Commission by:

I. S. Fairty, Esq., K.C., Ontario Association of
Motor Coach Operators

D. R. Grossman)
J. L. Stewart) Canadian Automobile Chamber
N. J. Patton) of Commerce

L. O'Connel) Toronto District Labour
J. W. Buckley) Council

W. G. Robertson, Canadian Automobile Association
(a federation of the motor leagues
of all provinces)

M. J. Patton, Automotive Transport Association
of Ontario

Parliament Buildings, Toronto,
Tuesday, January 19, 1932.

AFTERNOON SESSION

The Commission met at 3 o'clock.

THE CHAIRMAN: I understand that Mr. Fairty appears on behalf of the Ontario Association of Motor Coach Operators.

MR. I. S. FAIRTY, K.C., (Ontario Association of Motor Coach Operators): Yes, Mr. Chairman. I would ask leave of your honourable body to enter a formal appearance and to present a brief -- which we have not had time adequately to prepare -- at some later date when the Commission meets, either here or at such other time and place as the Commission may decide.

THE CHAIRMAN: About what time do you think, Mr. Fairty, you could expect to be ready with the brief?

MR. FAIRTY: I think, sir, we would need a minimum of three weeks.

THE CHAIRMAN: That will be quite all right. Mr. Grossman, of the Canadian Automobile Chamber of Commerce.

MR. D. R. GROSSMAN, (Canadian Automobile Chamber of Commerce): Mr. Chairman and members of the Commission, the Canadian Automobile Chamber of Commerce desires to be of service to you in the carrying out of the duties which have been assigned to you by the Government, and to that end we have prepared a memorandum setting out certain facts pertaining to transportation as a whole and its chief agencies, the railway and the motor car, and their relation to the public welfare. While it may be difficult for any branch of industry entirely to segregate itself from enlightened self interest, I want to assure you that we are

not unmindful of the fact that in order for any industry to be successful it must serve the public interest and observe the rights of those whose interests may seem to be in conflict with it. Our statements are intended to be constructive and helpful. We have not had the time for preparation that we had expected to have; however, a memorandum has been prepared by Mr. Patton, and with your permission he will now present it to you.

THE CHAIRMAN: We shall be glad to hear Mr. Patton.

MR. M. J. PATTON, (Economist, Canadian Automobile Chamber of Commerce): This is a memorandum, sir, submitted on behalf of the Canadian Automobile Chamber of Commerce.

There are few countries to which an efficient and adequate transportation system is of more importance than to Canada. Our far-flung territory extending a distance of no less than 3,655 miles between Halifax and Vancouver, our sparse but ambitious population, our wealth of natural resources and the fact that we are producers of a large volume of primary products of heavy and bulky character, most of which must find export markets -- all combine to make transportation one of the most vital of our national problems. And by the same token, it is these same considerations, coupled with a business depression of unexampled severity, which have brought us our present acute transportation difficulties. Canada's most important agency of transportation has been the railway, and, on account of the geographical and economic factors above referred to, the railways will doubtless continue to be the backbone of our transportation system. But neither of our large railways has been able to make ends meet. The privately-owned system last year had to

reduce its dividend. The deficit, both capital and operating, on the government owned system in 1931 was in the neighbourhood of \$120,000,000, and this looms up as a great and depressing burden on the people of Canada. Apart from the prevailing world-wide depression, this state of affairs has been brought about by the overbuilding of railways in the second last decade by competitive private interests, by duplication of services and a certain degree of extravagance on the part of the present railway managements, and by the emergence of new and competing agencies of transportation whose efficiency the railway managements have been slow to appraise and whose methods and instruments of transportation they seem loath to adopt. These newer agencies have proved themselves in certain well defined spheres to be more efficient than the railways, and if Canada is to have the best and cheapest transportation system possible, it is only a question of time until the railways will, by the inexorable operation of economic law, be compelled to recognize these new forms of transportation and to coordinate their present services with them. It is with one of the most important of these new instruments of transportation, the motor vehicle -- one that has demonstrated its superiority in small lot and short haul transportation -- that the interests subscribing hereto are identified, and it is the purpose of this memorandum on behalf of those connected with the automotive industry to urge that the motor vehicle be recognized as an important integral part of our transportation system and be allowed, under fair and just regulation as required in the public interest, to

serve the people of Canada in those fields of transportation in which it has already demonstrated its efficiency, convenience and cheapness.

Guiding Principles:

As a guide in the solution of our transportation difficulties, it is of the first importance that the right general principles be laid down and kept constantly in view. It may be stated without fear of challenge that the proper guiding principles to follow are:

- (1) that the public interest must always be considered paramount, and
- (2) that the most efficient instruments of transportation must, in the public interest, prevail in those fields where they have demonstrated their efficiency.

Not what is best for the railways, nor what is best for water transport, nor what is best for the motor vehicle or the airplane must guide our thoughts and shape our efforts, but what is best for the public as a whole. And it follows as a natural corollary that, whenever in any sphere of transportation some new agency has clearly shown it can perform the service of transportation better and cheaper than the old agency, it must be adopted and the old gradually discarded, notwithstanding

ing a large investment in the latter. To do otherwise would be to push back the hands of the clock of progress and handicap our commerce in the marts of the world.

"It is not a question", says Ezra Brainerd, Jr., Chairman of the United States Interstate Commerce Commission, "whether any particular form of transportation shall prevail or be given advantage. Ruthless economic laws will eventually determine that, no matter what artificial impediments may be interposed to interfere with natural progress temporarily. The public interest lies in determining the most economic and most efficient transportation service by whatever facilities are best adapted for that purpose. The readjustment of transportation facilities should be made with the least possible economic waste."

Motor vehicle highway transportation has been a development of the last two decades, but only in the past seven or eight years has it become an important factor in the Canadian system of transportation. The motor vehicle and motor highway transportation owe their existence to the invention of the internal combustion engine and to the building of hard-surfaced roadways, without which automobile transport would be greatly handicapped and restricted. A glance at the figures of motor vehicle registration indicates how rapid has been the growth of this form of transportation.

I may say, Mr. Chairman, that annexed to the memorandum, a copy of which will be furnished the Commission is a table showing the number of motor vehicles registered in Canada, by provinces, for the calendar years 1909 to 1930 inclusive, based on figures of the Dominion Bureau of Statistics.



In 1909 there were but 4,763 motor vehicles registered in Canada. By 1915 the number had increased to 89,944, by 1920 to 407,064, by 1925 to 728,005, while in 1930 there were no fewer than 1,239,888 registrations. This represents an increase of 204 per cent in the past ten years and of 1,289 per cent in the past fifteen years. At the present time there is a motor vehicle for every eight persons in Canada. Such rapid and consistent growth clearly indicates that the automobile has, through demonstrated efficiency, won a permanent place in our transportation economy, and that the industries built upon it and giving employment to tens of thousands of people have to be reckoned with both as an economic and as a political force of no small magnitude.

Concentration in Ontario and Quebec:

It should be observed that three-fifths of the motor vehicles in Canada are concentrated in Ontario and Quebec, two of the older provinces in which the road systems have been more highly developed than in the newer sections of the country. Ontario alone has 45 per cent of the total registrations.

Passenger cars most numerous:

Passenger cars exceed by far all other types of motor vehicles. In 1930 the number of passenger car registrations in Canada was 1,047,494, as compared with 165,464 trucks registered, a ratio of 6.3 to 1. A table is furnished showing the number of passenger cars registered in Canada by provinces, 1921 to 1930.

In Ontario the registrations of these two types of motor vehicles compare as 491,007 to 67,084, or in the

ratio of 7.3 to 1. The great preponderance of passenger cars over all other types of motor vehicles is an important factor to be kept in mind when later the subjects of taxation and highway construction and maintenance are under consideration.

Value of Automobile Industry to Country:

So rapid has been the growth of the motor industry and the industries allied with it that we are prone to overlook the value of these industries to the country generally, as separate and distinct from what the automobile as a basic instrument of transportation has contributed to the increased efficiency and productive capacity of all other industries as reflected in the employment of more people and increased capacity for consumption of the population generally. Within a comparatively few years a series of great new industries has sprung up. At its peak, before the onset of the present depression, the automobile manufacturing industry in Canada paid out in 1929 in salaries and wages the sum of \$26,964,808, and the value of the products it made was \$177,315,593 at the plant. Capital employed amounted to \$98,378,301 and work was provided for 16,435 employees. In 1930, a year of depression, these figures showed some decline, value of products being \$101,677,487, capital employed \$90,671,678 and salaries and wages \$19,473,892. These are figures so large it is difficult to comprehend their significance, but one can at least realize from them in a general way the importance of an industry of this magnitude to Canada.

Allied Industries:

It is, however, in the related and allied industries that we find the greatest stimulus given to productive economic effort. One entirely new industry, giving employment to many thousands of people -- the garage and automobile repair business -- has been created. The motor industry has also given a tremendous stimulus to the gasoline and oil, rubber, fabrikoid, plate glass, iron and steel, paint and numerous other industries. Unfortunately it is not possible statistically to evaluate the benefits thus imparted to all these industries, but it is common knowledge that production of all of them has been materially increased by demands from the motor industry. For instance, the rubber industry in 1930 gave employment to 15,163 people, employed \$69,164,512 capital and its production of tires and tubes was valued at \$36,583,309. The petroleum products industry in the same year employed 5,134 people, paid out wages and salaries of \$8,190,130, utilized a capital of \$70,334,381 and produced products to the value of \$91,787,205 at the works. The Dominion Census of Industry has made no count of the number of people in the garage and automobile repair business, but that it is large common observation bears witness. A recent unofficial estimate places it at 75,000 people.

There were 5,305 garage licenses and 6,512 gasoline service station licenses issued in Canada in 1930.

The Tourist Trade:

One great new industry, third in importance among the industries of the Dominion, the tourist trade, has been created by the motor vehicle. With a wealth of

scenic resources and lake and river, Canada as a tourist centre is particularly favoured by the large and comparatively wealthy population of the United States. The Dominion Bureau of Statistics estimates that in 1930 United States tourists by automobile spent \$215,577,000 in Canada. This stimulates a wide variety of local businesses, especially retail business, garages, gas and oil stations, hotels, restaurants, amusement places, and sporting goods and clothing shops. It is an important factor in our balance of international payments and is entirely due to the use of the automobile.

Benefits of Motor Transportation to the City:

The advantages conferred on the community by motor transportation are manifold and are felt by every stratum of society. In general terms they may be summed up as the saving of time, lowered cost of transportation, convenience and flexibility of service. Congested centres of population have, by means of motor transportation, been relieved of pressure and the area of suburban residence extended, the delivery of goods from the great stores, merchandise depots and factories has been speeded up, bus service has been given developing communities not sufficiently populous to afford street car service and salesmen and professional business men whose business requires constant travel between different parts of the city are enabled to cover many times the territory possible before the advent of the motor car. Social intercourse has been facilitated. The motor truck has replaced the horse-drawn truck, doing away with unsanitary stables, relieving congestion at freight and express terminals and speeding up deliveries. Motorization of

police, fire, hospital and other local government services has both reduced the cost of administration and increased the effectiveness of these services by vital saving of time.

A Boon to the Farmer:

No one has been benefitted by motor transportation more than the farmer. The motor car has banished the isolation of the farm home and revolutionized farm life. It has brought the country into closer touch with the city. The main reason for the extension of the use of the motor vehicle in agricultural communities was undoubtedly at first a social one and significant changes in rural community life continue to be wrought by the automobile through the travelling library, the consolidation of rural schools, the extension of medical relief and hospitalization and the central community church and social centre.

One of the most important effects of the motor vehicle on rural life has come through the extension of farm markets it has made possible through the speedier, cheaper and more convenient transportation it has provided. Studies conducted by the United States Department of Agriculture show that in 1918 the wagon haulage cost of wheat averaged 30 cents per ton mile. The motor truck has cut this cost exactly in two. The average daily haul of a horse-drawn wagon is ten miles. Government surveys in the United States -- and similar conditions prevail in Canada -- show that the farmer possessing motor equipment has quadrupled the economic range in his choice of markets. This has enabled him

to take advantage of better prices obtainable in more distant markets, to eliminate the middleman and thereby increase his margin of profit, and to make it possible, through access to a city market, to turn from the production of a low value crop to a more perishable but more valuable one. Cooperative trucking has permitted him to devote more time to work on his own farm, often permitting the sale of crops that would otherwise have been wasted. The roadside rural market to which city people motor is a direct result of the motor car. Most of the farm live stock is now sent to city stockyards by truck because this means of transport is quicker, more convenient and causes less shrinkage in weight. In sixteen of the large representative stock markets of the United States 25.56 per cent of all the cattle, calves, hogs and sheep marketed were driven in by motor truck in 1930, as compared with 8.60 per cent in 1925 and 5.21 per cent in 1920. Nearly all the milk supplied of our large cities are transported from the farm to the dairy in the city by motor trucks. Due to fewer handlings and the elimination of losses in rail transport of milk cans, the motor truck effects a saving over rail transport of milk of 5 cents per hundredweight.

That is taken from a pamphlet by Frederick G. Horner entitled, "The Application of Motor Transport to the Movement of Freight and Passengers."

In like manner the truck has largely displaced other means of transportation in the haulage to the city from the surrounding country of vegetables, fruit, eggs and other food products.

Where Motor Transportation Excels:

In the matter of general haulage the motor vehicle has shown its efficiency and made a place for itself in two well defined fields as respects both freight and passengers:

1. In the hauling of less-than-carload lots of freight.
2. In the transport of freight and passengers over short distances.

The Motor Bus:

Although it is possible to travel across the continent in motor buses on which even sleeping accommodation has been provided, the particular field in which the motor bus has proved itself is in the transportation of passengers over comparatively short distances. The comparatively small fixed investment for buses as compared with railways enables bus service to be given to growing districts or areas with small population where a service could not be justified economically by either street railway in the case of a city, or by steam railway in the case of rural districts. In the frequency of service it gives and the convenience it affords in picking up passengers anywhere along its route the motor bus has a decided advantage in short haul traffic over the railways. Not only does it render a better service to the public in these respects but on account of the smaller amount of money tied up in each unit and the saving on labour cost of operation, it renders a cheaper service. In many instances, however, the bus service is so much more convenient to the public that it can and

does obtain higher fares over the same route as the railways. For example, Gray Coach Lines fare for commuters between Oakville and Toronto is 34.6 cents per one way trip as compared with the railway fare of 18.7 cents; yet the bus takes over 30 per cent of the traffic.

The Motor Truck:

The chief advantages of the motor truck in its special field are flexibility, speed, convenience and cheapness. The economic radius of operation of the truck a few years ago was thought to be about 75 miles, but improvements in construction, roadways and methods of operation have so increased this that to-day, for the general run of freight, it stands at approximately 130 miles. For special commodities such for instance as household furniture, where the expense of crating for railway shipment and the element of time and convenience are important considerations, the economic radius of truck shipment is much greater, running up to 500 miles or even more. Improvements in operation and mechanical efficiency may well increase the range of profitable operation in the future as it has in the past. One of the chief advantages of the motor freight transport over the railway is store-to-door delivery and the elimination of several handlings, all of which are costly both as regards labour and time. Truck transportation also relieves the shipper of the delays consequent on terminal congestion and freight embargoes. Its convenience lies in the fact that the shipper can secure service any time of the night or day. As an instance of the advantage of this flexibility of service it may

be pointed out that one of the large packing houses in Toronto can fill orders received up to midnight for delivery in Brantford (67 miles) at the opening of business the following morning. Such quick service enables the merchant to operate with much smaller inventory than if the slow railway freight service were depended on, and thus reduces the capital tied up in the stock.

The Railway Dilemma:

Such is a brief description of the new form transportation that within the past ten years has been demanding a share in the sun which heretofore the railways had almost completely monopolized. While charges have been made that the motor vehicle is responsible for many of the ills from which our railways are suffering, a calm examination of the facts indicates that this responsibility has been greatly exaggerated and that, if anything, the railways have benefitted more from the increased business they have obtained from new industries founded on the motor vehicle and from the speeding up and stimulus that that instrument of transportation has given to all other industries than they have suffered from its competition. Other and graver causes are responsible for the present plight of the railways. Most fundamental of all these causes is the fact that our railway system is overbuilt. For every 235 people in Canada there is a mile of railway, a lower number than in any other country in the world.

According to the Canada Year Book, 1931, page 653

This over-development, which is especially felt in a time of acute depression, was due to over optimism and

to the urgings of private construction interests who flourished in the railway field just prior to the Great War, and whose thinly financed schemes with their heavy load of watered capital had to be taken over by the Dominion Government during the war to prevent a collapse of the country's credit at a time when a financial crisis would have been fatal to Canada's war efforts. Overburdened with capitalization and provided with new funds without stint by the Government, our National Railways system has forced the privately owned system also to expand its services lavishly and unwisely, at a time when general business was declining. This policy has resulted in such unwise undertakings as two large modern railway hotels in Halifax, a city of 59,000 population, which clearly could not support two such hostelleries. It has resulted in the construction of a \$4,000,000 hotel in Saskatoon, a city of 32,000 population, in the building of a second large railway hotel in Vancouver, already supplied with adequate accommodation, in the putting on of competing train services quite unjustified by the traffic offering and in other extravagant practices. Curtailment of these is evidence of their unwisdom in the first instance. This over-expansion of facilities and extravagance due to competition has done more to produce railway deficits than competition from motor vehicles or waterways or any other competitive form of transportation. The correction, already partially undertaken, consists not in hampering competing agencies of transportation but in the elimination of duplication, the practice of strict economy and increase in immigration to build the population up to our railway facilities. It would seem that

one of the first steps that should be taken when the upturn from the present depression appears is a well thought out campaign to encourage immigration of desirable Nordic peoples from the overcrowded centres of Europe. Our railways are not too big for our country, but they are too big for its present population.

To a certain extent the net earnings of railways have suffered both from the lack of sensitivity of railway wages to the downward trend of living costs due to the highly unionized condition of railway labour and to requirements, some of them imposed by legislation, not strictly needed for good service, such for instance as elaborate statistical detail of traffic and operation and strict requirements for the crating and packing of freight.

Competition of Waterways:

The increasing use of waterways, of pipe lines and the diversion of traffic through the Panama Canal has decreased the freight tonnage available for railways. The long term trend of freight tonnage carried by vessels on the Great Lakes has been steadily upward. This is indicated by the following statistics of freight tonnage passing through the larger canals:

Year	St. Lawrence Canals	Welland Canal	Sault Ste. Marie Canals
1900	1,309,066 tons	719,360 tons	25,643,075 tons
1905	1,752,855 "	1,092,050 "	44,270,680 "
1910	2,760,752 "	2,326,290 "	62,363,218 "
1915	3,409,467 "	3,061,012 "	71,290,304 "
1920	3,067,962 "	2,276,072 "	79,270,630 "
1925	6,206,988 "	5,640,298 "	81,871,699 "
1930	6,179,023 "	6,087,910 "	72,837,895 "

The opening of the new Welland Canal will undoubtedly accentuate water competition.



Indicative of competition of water transportation is the existence on the Great Lakes of large fleets of oil tankers operated by Imperial Oil, Limited, British American Oil Company, Limited, and McColl-Frontenac Oil Company, Limited. The Imperial Oil fleet on the Great Lakes has a carrying capacity of 120,000 barrels. The British American Oil Company fleet has been heavily added to in the last year. The trend towards water transportation is seen in the recent inauguration by Imperial Oil of a line of small tank steamers on the Ottawa river to supply from Montreal a bulk station at Ottawa serving the Ottawa valley. Formerly the petroleum products carried by this line were shipped by rail.

Panama Canal Diverts Traffic:

The opening of the Panama Canal in August, 1914, provided an alternative route for shipments from western Canada, both for export and for eastern Canada, which has lessened the tonnage moving over our Canadian railways. Certain bulky and heavy products like lumber can be shipped from Pacific ports to St. Lawrence ports cheaper by water via the Panama Canal than they can by rail overland. Grain shipments have been likewise diverted, the railways losing the long haul from the midwestern prairies to Montreal and Quebec to the shorter rail haul to Vancouver from whence water transportation is utilized.

W. T. Jackman, Professor of Transportation in the University of Toronto, on this point says: "During the period from 1923-28, the grain movement from Fort William and Port Arthur has increased six per cent, while that from Vancouver and Prince Rupert has increased 47 per cent in the same period. From 1921 to 1928 the movement from the Atlantic seaboard has grown forty-seven

per cent, while that from the Pacific has increased 995 per cent in the seven year period." This means a heavy loss of traffic to the railways.

Failure to Coordinate with Highway Transportation:

It cannot be denied that the failure of the railway managements to adopt other efficient and necessary forms of transportation and thus broaden the basis of earning power has been reflected in decreased earnings. Railway managements, despite occasional statements to the contrary, appear to have reposed too long in the view that it was their duty to provide and sell railway service only, as distinct from transportation. They have not yet really begun to make use of and coordinate with the railways the service given by airplanes and motor trucks and buses, notwithstanding that both forms of transportation have demonstrated their efficiency in their own specialized fields. Their attention has been fixed too exclusively on the long haul. They should have been entering upon both motor truck and motor bus services ten years ago and thus preparing for the gradual obsolescence of their expensive freight and passenger terminals which the two last named agencies of transportation are bringing about. Other interests did not overlook the opportunity and as a result of their pioneering now have valuable vested rights. That the railways will have to utilize both truck and bus in conjunction with their rail service if they wish to retain short haul and small lot traffic is abundantly clear. The future progress of the railways, according to J. F. Deasy, Vice President of the Pennsylvania Railroad, which began the coordination of rail and

highway transportation in 1923, depends upon their ability to provide the most economical and convenient transportation obtainable and to do this, he asserts it is essential that the railways "make available a system of coordinated transportation which will enable the public to utilize the kind of transportation it wants -- rail, highway, waterway and airway -- in the field in which it can best perform."

Highway transportation Competition -- Is it Fair?

While railway executives, judging from their public utterances, have taken competition from waterways, airways and pipe lines as a matter of course and appear to think it fair, they have protested vigourously against motor vehicle highway competition, especially that of the bus and the truck. They allege that highway transportation is unfairly subsidized in that the Government provides the right of way for which motor vehicles are not adequately taxed, whilst the railway has to provide its own right of way. Let us examine these contentions carefully in order to discover whether such discrimination in favour of the motor vehicle actually exists.

Governments have Always Aided Transportation:

For centuries it has been the settled policy of all governments in civilized countries to encourage transportation. The carriage of goods and persons from place to place is so essential a factor in production, and the cost of transportation enters so largely into the cost of everything people eat, wear, use and export that it has always been considered good public policy to

assist and encourage the provision of cheap transportation in every way possible. In Canada where our wide extent of territory emphasizes the importance of transportation, governments have been no exception to this rule, and they have spent many millions of public money to provide means of transportation, subsidizing waterways, railways, stage coach lines and airways, as well as building roads and bridges.

Canals Provided Free of Charge:

Our waterways and our railways have been the principal beneficiaries of this policy and have received much more from governments than has highway transportation.

As at March 31, 1931, the Government had expended \$225,909,708 (Canada Year Book, 1931, page 701) on the capital cost of the Canadian canal system, which it provides free of all tolls to water-borne traffic. It also bears the cost of maintenance and operation, which in 1930 amounted in net figures to \$1,419,813. In addition, the Department of Marine annually spends large sums on waterways, ports and aids to navigation. The net expenditure of this department in 1930 on such service was \$22,697,972.

Large Grants to Railways:

The railways themselves have been the greatest beneficiaries from the public treasury. Dominion, provincial and municipal governments have given hundreds of millions of dollars in cash grants, while the Dominion Government and the provincial governments have also given millions of acres of land. In addition, the

principal of bonds, and interest and dividends on bonds and stocks, have been guaranteed, whilst over half a billion dollars expended on Canadian government railways was turned over to our present Canadian National Railway system.

The table below gives details of this aid given to railways.

This is compiled from statistics in the Canada Year Book, pages 665-9, and in letter from Chief of Transportation and Public Utilities Branch, Dominion Bureau of Statistics, dated January 9, 1932.

Government Aid to Railways

Cash grants -

Dominion	\$176,693,510
Provincial	33,210,615
Municipal	<u>12,988,128</u>
	\$222,892,253

Land grants, 47,290,566 acres at \$3	141,871,698
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Expenditure on Canadian Government Railways (Now included in Canadian National System)	501,638,526
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Bonds guaranteed by the Dominion Government	703,844,873
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Perpetual debenture stock and guaranteed debenture stock of Grand Trunk Pacific on which dividends and interest are guaranteed by Dominion Government	<u>216,207,141</u>
	\$1,786,454,490

Miles of railway operated December 31, 1930 - 42,975
Aid per mile of railway operated - \$42,458.

A conservative valuation of \$3 per acre is assigned to land grants. Heavy deficits having been incurred, Canadian National bonds guaranteed are included in their face amount, and perpetual debenture stock and debentures on which interest is guaranteed are also included at face value, since the perpetual payment of interest and divi-



dends is equivalent to a grant of that amount of money. All told, this aid totals \$1,786,454,490, or an average of \$42,458 per mile. What a wonderful highway system we would have if aid on any such scale had been extended to highways. If any transportation system ever had its road provided for it at the public expense it has certainly been the railways. And it is at least anomalous that railway proponents should now object to the alleged unfairness of government providing a right of way for a competing form of transportation, viz., highway motor transportation.

Canada's Highway System:

Let us now look into the situation as regards highways. The extent and character of our system of highways is indicated in the following table compiled from official figures:

Unimproved earth	158,639.9 miles
Improved earth and sand clay	155,234.9 "
Gravel and crushed stone (loose)	70,942.0 "
Oil-treated gravel	<u>405.7</u> "
Total earth, gravel and loose crushed stone	385,222.5 miles
Water-bound macadam	4,991.8 miles
Bituminous macadam	1,445.1 "
Bituminous concrete	1,275.1 "
Cement concrete	1,421.0 "
Other	<u>1,421.0</u>
Total paved - macadam and con- crete	<u>9,150.2 miles</u>
Grand total	394,372.7 miles

Earth and Gravel Roads Comprise 97 per cent:

Some significant figures emerge from this compilation. First, earth and gravel roads comprise 385,223

miles, or 97.6 per cent of our total highway mileage of 394,373 miles. These are the type of roads which we would have expended almost as much money on without the automobile as with it. The "paved" roads -- macadam and concrete -- constitute only 2.4 per cent of the total highway mileage. These are the kind of roads for the construction of which the motor vehicle is largely responsible. Another striking fact these figures bring out is that Ontario and Quebec have an overwhelming preponderance of the better grade highway facilities of the country. For instance, Ontario has 55.6 per cent and Quebec 16.5 per cent, a total for the two provinces of 72.1 per cent, of the "surfaced" highways of the country, if we include gravel and macadam and concrete roads in the term "surfaced." Of the "paved" highways, that is, macadam and concrete, Ontario possesses 6,192.9 miles or 67.6 per cent, and Quebec 2,032.5 or 22.2 per cent, a total for the two older provinces of 8,225.4 miles, or 90 per cent of all such highways in Canada. These two provinces, therefore, have a tremendously greater interest in highway development and highway problems than the other provinces.

Cost of Highway System:

What has our highway system cost us? Since expenditures have been made by various public authorities ever since the country was settled and many of them by small local authorities whose bookkeeping systems never registered 100 per cent perfect, it is a difficult question to answer with exactitude. However, from figures of road mileage compiled by the Dominion Bureau

of Statistics and known costs of construction for the different types of highways vouched for by engineers of experience and repute, a close approximation can be made.

Taking the Dominion Bureau of Statistics mileage figures and classifications and using valuations per mile as given by an authority on highway engineering, Mr. George Hogarth, Deputy Minister of Public Works for Ontario, and for many years chief engineer of the Department of Public Highways, we get the following:

158,639.9 miles improved earth at \$ 200	-\$31,727,980
155,234.9 miles improved earth and sand clay at \$ 500	- 77,617,450
71,347.7 miles gravel, loose crushed stone and oil- treated gravel (405.7 miles) at \$ 5,000	- 356,738,500
4,991.8 miles water-bound macadam at \$15,000	- 74,877,000
1,445.1 miles bituminous macadam at \$20,000	- 28,900,000
1,438.2 miles cement (concrete and other 17.2 miles) at \$35,000	- 47,460,000

	\$617,323,530

Mr. W. A. McLean, formerly for many years Deputy Minister of Highways for Ontario, and an outstanding highway engineering authority, estimates the cost of the Canadian highway system at approximately \$527,000,000 as follows:

Class	Mileage	Value per Mile	Total
Improved earth roads	155,234	\$ 700	\$108,663,800
Gravel and loose stone	70,942	3,000	212,826,000
Oiled gravel	405	4,000	1,620,000
Water-bound Macadam	4,991	5,000	24,955,000
Bituminous Macadam	1,445	20,000	28,900,000
Cement concrete	1,431	50,000	42,650,000
Bituminous concrete	1,275	30,000	38,250,000
Other	17	20,000	340,000
Bridges and miscellaneous construction, 15 per cent			68,727,720
			\$526,912,520

Referring to the 158,640 miles of "unimproved earth" roads in Canada, Mr. McLean says that "a road is not a road until it has at least been graded. If we accept that line of division, the roads of Canada total 235,733 miles. Of these, 155,235 miles are unsurfaced roads, while surfaced roads total 80,497.9 miles."

"The roads of Canada generally", Mr. McLean continues, "and the character of work on them are well known to the writer. It has been his privilege from time to time to travel over a substantial mileage in every province. The unit costs per mile in the foregoing estimate are average figures. For example, 'improved earth roads' as a class are little more than levelled with earth from shallow ditches. Where this class of work is exceeded on a limited mileage, the additional cost is amply covered by the last item for 'bridges and miscellaneous construction'".

Having regard to the opinion of both of these authorities it may be said that a fair valuation of the Canadian highway system is \$600,000,000. This valuation, based on official mileage statistics and on the valuations of experienced highway engineers is, we submit, to be accepted in place of the rather absurd figures approximating a billion dollars put forward from time to time by various railway proponents, who do not, however, state the basis of their computation.

What Should User Pay?

In attempting to form an idea of the proportion of the cost of our highway system that may properly be

assigned to the motor vehicle and its use of highway facilities it should be kept in mind that our system of highways, so far as mileage is concerned, was in existence substantially the same as to-day, long before the motor vehicle came into general use. It would be in existence now even if there were no automobiles; although it is conceded that extensive improvements to the existing roads in the way of hard surfacing have been made largely as the result of the coming of the motor vehicle. For this reason and also because of the large proportion of our total highway mileage consisting of unimproved country roads, which are little used by automobile traffic, only a portion of the cost of our highway system can logically or fairly be debited to motor traffic.

There is another reason why all highway costs should not be charged to motor vehicles.

According to a general report presented on behalf of the Coordination Committee of the Transport and Communications Group of the International Chamber of Commerce by Sir John Sandeman Allen, Chairman, the formula that "road users should pay" is a mistake. Roads are public property and benefit the country as a whole, and it is logical that their cost should be met in the first place out of general revenue. Real estate owners in localities opened up by the roads should also participate to a certain extent in road expenditures, because of the special advantages they derive therefrom. Contributions from users are justified for the same reason, but do not constitute the basis of road budgets.

Highway transportation, like all other forms of trans-

portation, confers indirectly a benefit upon every citizen in the country, and, as we have seen, governments in recognition of this have always subsidized and assisted transportation in every way possible, the railways in recent times benefiting most from this policy. It was in recognition of this policy that the Dominion Government in 1919, through the Canadian Highways Act, gave the sum of \$25,000,000 to the provinces to expend on highway construction and improvement. The principle has been succinctly stated by Mr. A. D. Ferguson of the Department of Economics of the Canadian National Railways, who in an address on the "Economics of Transportation", delivered before the Advertising Club of Montreal on September 16, 1931, said:

"In view of the many benefits we all derive from having good roads throughout Canada, it is not proposed that motor vehicles should pay all the charges of roads. The recent Royal Commission on Transport in Great Britain declared that motor vehicles should pay two-thirds of these charges and that one-third should be contributed from general taxation."

This is a fair allocation of cost and has been generally accepted as such. Using it as a basis we can compute what amount of the cost of the Canadian highway system should be assigned to motor vehicles.

Old and fully developed countries obtain pay for highways as they are built, but in new and comparatively undeveloped countries such as Canada, where roads are built not only to accommodate existing traffic but for development purposes as well, it is usual to borrow money

for purposes of construction, providing annually in addition to interest for a sinking fund calculated to retire the bonds during the life of the highway. For example the province of Ontario, which has 67 per cent of the paved highways in Canada, has established a sinking fund sufficient to retire its bond issues for highway purposes in twenty years, although the highways built in later years are expected to last fully thirty years.

Highway Transportation More than Paying its Way:

Careful and elaborate compilations of provincial highway revenue and expenditures have been made by the Citizens Research Institute of Canada.

Detailed statements are submitted with the memorandum.

These show that in 1930 the current expenditure (maintenance plus interest and sinking fund) was \$54,381,037 and revenue from highway users was \$40,308,100; that is to say, revenue was 74.1 per cent of current expenditure. This compares with the proportion of 66 2/3 per cent of charges which the British Royal Commission on Transport set as a fair proportion for highway users to pay, and should certainly dispose of the contention that motor vehicle transportation in Canada is not paying its way. In fact, in some of the western provinces, notably Alberta and Manitoba, the table shows it is not only paying 100 per cent of provincial current highway expenditure, but is in addition contributing substantially to the general revenues of the provinces. This constitutes unfair discrimination against highway transportation in these provinces and is economically unsound.

A comparison of the value of our highway system and the total revenues derived from owners of motor vehicles is illuminating. These latter are as follows:

Motor vehicle taxes, including gasoline taxes	\$212,446,155
Customs duties on motor vehicles, parts and accessories	\$202,862,507
Excise taxes on motor vehicles (1931 partly estimated)	\$ 32,441,836
Total Dominion and provincial revenue from motor vehicles	\$447,750,498

This compares with an estimated total value of our highway systems (as computed above) of \$600,000,000. Special taxes levied on motor vehicles to date aggregate a very substantial part of the estimated value of highways. Since these figures were compiled by the Citizens Research Institute, increased taxes have been announced in many Canadian provinces. In some cases an increase of as high as 33 per cent on trucks, as in Ontario, has been announced for the coming year.

Private Passenger Car and the Railways:

The relation of highway transportation to the railways may be considered as it affects (a) passenger traffic and (b) freight traffic. Declining passenger traffic on the railways concomitant with the growth of registrations of passenger automobiles indicates that the automobile has taken considerable passenger traffic from the railways. Undoubtedly, the 1,047,494 passenger automobiles registered in Canada in 1930 carried many passengers that would have travelled by rail had highway transportation not been available. The advantages which the motor car has over the railway in short distance

travel makes this inevitable. People want to "ride on rubber" to use a popular phrase. There is little that the railways can do to meet this competition other than to use bus lines of its own wherever possible. It is a case where the more efficient and more popular method of transportation will prevail. The loss to the railways from private automobile competition in 1930 is estimated by Mr. Bernard Allen, Assistant Economist, Bureau of Economics, Canadian National Railways, at \$13,000,000. Buses, says Mr. Allen, earned \$4,000,000 in revenue in 1930, and, even assuming that all their traffic was diverted from the railways, the loss to railways from their competition could only be \$4,000,000. Mr. Allen is, however, careful to point out that a considerable portion of the bus traffic was not taken from the railways but was created by the additional service furnished by the buses themselves.

Buses and Railways:

Bus transportation also is growing in popularity. Its advantages consist in its flexibility, cheapness and convenience, especially for short haul work. The bus has made the farm house a bus station and the motor coach line the rural railway. The commuter gets transportation almost at his door instead of walking half a mile to a station. Low fixed charges and cheapness of operation have enabled it to give transportation service to communities, urban as well as rural, where the traffic offering does not warrant the heavy investments required for electric or steam railways.

The efficiency and cheapness of the bus in those spheres of transportation where it excels has resulted

in its wide use in the United States by railways in coordination with rail transportation. "To operate a small local train a mile costs approximately \$1.25 as compared to 25 cents to 30 cents per bus mile. For the railroad these are out-of-pocket costs only, not including fixed charges or roadbed maintenance. Thus the ratio is not far from 5 to 1 in favour of the bus. For a steam train the average fuel cost is 23 cents per mile, while for the bus it is 3 cents per mile. Wages per mile for the bus are 4 cents as compared to 28 cents for the train. The Boston and Maine Railroad found that the cost per mile of operating a steam passenger train without any charge for roadbed or rail maintenance was \$1.59, of rail cars 72 cents and of motor buses 29 cents."

This is from a paper read at the World Engineering Congress, Tokyo, Japan, in November, 1929, by Frederick C. Horner, entitled "The Application of Motor Transport to the Movement of Freight and Passengers."

The United States railways are using buses in large numbers to replace and supplement train service, the New York, New Haven and Hartford operating 300 and the Boston and Maine 111. The last named railway estimates its savings through the substitution of buses for unprofitable trains at \$ 500,000 per annum. Curiously enough our Canadian railways make practically no use of buses. It would appear that instead of inconveniencing communities by withdrawing unprofitable local train service and throwing the business over to private bus lines, it would be good business for our railways to wake up and themselves use bus services in coordination with their

rail facilities.

Buses Over Taxed;

There were 2,098 motor buses registered in Canada in 1930, of which 643 were in Ontario and 524 in Quebec. In all provinces buses are closely regulated and heavily taxed; in fact so heavily taxed that they may be said to be overtaxed. Certificates of necessity and convenience, insurance and evidence of financial responsibility are required. The practice in Ontario is typical of that of most of the other provinces. In Ontario, buses, in addition to paying fees under registration as motor vehicles pay also for registration as commercial vehicles and are subject to a mileage tax. In addition, they are taxed specially by many municipalities through which they run. Both tariffs and time schedules have to be filed with and approved by the Department of Public Highways.

An idea of the taxes to which buses are subjected is to be had from the statement made at a meeting in Montreal in December, 1931, by Mr. H. J. Curtis of the Provincial Transport Company, a large motor bus concern operating out of Montreal. Mr. Curtis said that his company paid out in taxes 11.34 per cent of its total passenger revenue. Expressed in another way this meant they paid \$572.90 on each vehicle operated and that their highway contributions amounted to 4.39 cents per bus mile. The Ontario Association of Motor Coach Operators in a summary of operating statistics for six of the largest and most representative bus companies in Ontario show that the total taxes they paid in 1930 amounted to 8.60 per cent of their revenue per mile.

A table is submitted showing the registration from motor trucks, by provinces, 1922 to 1930.

A questionnaire recently sent out and covering the operations of bus companies throughout Canada indicates they paid 8.5 per cent of their revenues in taxes in 1931.

LOLD ASHFIELD: Does that include gasoline tax?

MR. PATTON: Yes, that includes gasoline tax -- all taxes.

Such taxation (and the registration fees have been raised by about 33 per cent in Ontario for 1932) cannot be described by any word other than heavy. The steam railways of Canada paid only 2.12 per cent of their gross revenues in taxes in 1930.

Are More Highly Taxed Than Railways:

"The Ontario Association of Motor Coach Operators has compared the taxes of one of its representative and largest members with the taxes paid by two large Canadian railways. The comparison is for the year 1929. Basing the comparison in terms of taxes expressed as a percentage of the gross revenue, the taxes of one railway were one-third of those paid by the motor coach operator and the other railways taxes were only one-fifth. If the comparison were made in terms of taxes expressed as a percentage of investment the taxes of one of the railways were one-eighth of those of the motor coach operator and the other railway's taxes were only one thirty-second of those paid by the motor coach operator.

"The motor coach operator did not receive a government subsidy when he made his investment in the business and pioneered public transportation on new highways; he

receives no subsidy from year to year in taxes or in any other form to assist in conducting his business. He owns his own right of way in the sense that he pays at least his proportion of the cost of constructing and maintaining the highways. Why then should he be subject to even more taxation which on any basis of comparison so greatly exceeds that paid by the railways?"

This is from a memorandum submitted by the Ontario Association of Motor Coach Operators to the Ontario Government, 1931.

The Motor Truck:

Concentrated attack has been made on the motor truck by its enemies, the railways claiming it has taken from them a great deal of traffic, that it is unregulated, that it is abnormally hard on the highways and that it should pay more than it does in taxes because of this wear and tear on the roadway. In the first place trucks are not as numerous on highways as we might be led to believe. In 1930 there were only 165,464 trucks registered in Canada, out of 1,239,888 motor vehicles of all kinds. That is to say only one out of every 7.5 motor vehicles in the country (or 13.3 per cent) is a truck, and the greater proportion of them are of the smaller type. In the 1931 traffic census of Ontario out of an average traffic density of 1,805 vehicles daily, only 167 or 9 per cent were trucks.

Since this was written the Ontario Department of Highways has put out a series of charts which shows that only one in every ten vehicles on the highways in 1931 was a truck. In Ontario, where such statistics are available, over

seven-eighths (88.8 per cent) of the trucks are of 5 tons gross weight (weight of vehicle plus load) or less. ("Bus and Truck Statistics", Department of Highways, Province of Ontario, January, 1932. A series of charts.)

(Page 1635 follows)

Tax Burden on Trucks.

The tax burden on trucks, as also in the case of buses, has been increased rapidly in recent years. New truck registration fees recently announced for 1932 by the province of Ontario show an increase of approximately 33 per cent. When considering the overhead burden borne by trucks and buses insurance must be taken into account. This is a compulsory charge required by legislation. In Ontario insurance against passenger hazards as well as public liability insurance has to be carried by buses, the annual charges amounting not infrequently to \$800 per vehicle per annum. Cargo insurance is compulsory for trucks and runs usually from \$50 to \$80 per truck per annum.

Gasoline Tax Heavy on Trucks.

The fact that trucks and buses are very heavy consumers of gasoline is frequently overlooked. This tax, 5 cents per gallon in all provinces (soon to be raised to 6 cents in Ontario and Quebec) is a particularly heavy one, amounting to 25 per cent of the value of the product taxed. Yet it is an eminently fair tax in so far as it varies directly as the use that is made of the highways. It is generally considered the average bus travels 6 miles to the gallon of gasoline used and the average truck 7 miles, whereas passenger motor vehicles average well over twice that mileage to the gallon. On an annual mileage of 30,000 miles, the average truck would thus pay about \$215 in taxes on gasoline.

In Ontario, where the statistics are available, trucks pay 26.2 per cent of the revenue collected

(exclusive of gasoline tax), although they comprise only 12.5 per cent of the motor vehicles registered.

Profit Margin is Narrow.

Operating statistics for motor trucks are not well organized as yet and it is impossible to get such figures for the country as a whole. On the annexed sheet,-- This I desire to file, Mr. Chairman, -- however, there is given a summary of operating statistics and profits for six representative large and old-established motor transport companies operating in Ontario. These show that for the last three years profit realized has amounted to only 4 per cent of revenue, a margin so narrow, considering the hazards of the business, as to make any further considerable increase of taxes a serious matter.

Effect of Trucks on Roadway.

In no respect has the truck and the bus been more maligned than in the fallacious statement, assiduously spread by clever propaganda, that on account of their weight and speed they are especially harmful to the roads. To the casual observer it would seem logical that on account of their size and weight these vehicles would be harder on highways than passenger cars, but scientific investigations conducted over the past four or five years by the engineers of the United States Bureau of Public Roads conclusively show that it is not the absolute weight of a vehicle that is the factor which determines its effect on the road, but how that weight is distributed through the wheels to the road. To put it more concretely, a 10-ton load communicated to the road surface through 6 balloon-tired wheels spaced

the proper distance apart may be far less harmful to the road than a 5-ton load the weight of which is communicated to the road through high-pressure tires on four wheels spaced close together.

Weather Determines Thickness of Pavement.

The investigations also showed that, contrary to popular belief, the speed of automobiles up to a certain point did not impose heavier burdens on the highway than lower speeds, and that the weather was the most important factor in road building, the action of frost and sun and rain alone making necessary a minimum thickness of pavement more than sufficient to carry ordinary passenger car, truck and bus traffic.

All these facts are clearly brought out in the testimony of Mr. Thomas H. MacDonald, Chief of the United States Bureau of Public Roads in the hearings before the United States Commerce Commission on the subject of the coordination of motor transportation at Washington on March 5, 1931. The testimony he gave embraces tests made with trucks up to seven and a half tons capacity and with various types of automobiles at various speeds.

I ask leave to file with the Commission a copy of Mr. MacDonald's evidence before the Interstate Commerce Commission. It covers the subject very fully.

It was pointed out by him that there are certain requirements in the construction of hard surfaced highways which are necessary to transport the ordinary private automobile commerce. The following quotation from his testimony summarizes his conclusions on this point:

"We would not build roads much less than 7 inches at the edge and 6 inches in the centre, no matter what kind of loads we were going to carry. If we built thinner surfaces they would curl up like tissue paper in the rays of the sun. They would warp; the frost heave would destroy them. So we have a certain minimum thickness of road that it is necessary to build if there were nothing heavier than the ordinary passenger cars and farm trucks to use the road, and the whole question of the heavier buses and heavier trucks therefore begins with a certain minimum thickness of road which is necessary regardless of whether they existed or not."

Mr. MacDonald next pointed out that the minimum requirements would produce a road which would properly carry the ordinary sizes of commercial trucks up to but not including the 5-ton truck, and that even with 5-ton trucks operating upon the highways only a very slight increase in road thickness is required. The following excerpts from his testimony illustrate the point:

"It is not until we get to the 5-ton truck that it is necessary to increase the dimensions of the road, and then only by one-half inch in thickness; so that as between the passenger cars and the lighter trucks -- farm trucks, if you wish, taken as a value of one or as a unit, when you get to the 5-ton truck, in order to keep our stress, get the working stress of the material, 350 pounds, we must increase the thickness of the road one-half inch or about 7.7 per cent and for a $7\frac{1}{2}$ ton truck 1.154 or about 15.4 per cent.

"This diagram illustrates then the application of the actual dimensions shown in the chart --

The charts are re-produced and filed with Mr. MacDonald's evidence.

--that beginning with a minimum thickness -- a minimum practical thickness of road -- we carry up to the 5-ton truck; then we require a slight increase, but it is not until we operate $7\frac{1}{2}$ -ton trucks on new solid tires that we get as much as a four-tenth increase in the required thickness."

Wheel loads not truck loads important.

Mr. MacDonald also pointed out the importance of the area of contact of the tire with the road being considered, which "becomes all-important in the matter of the relative destruction of the heavier wheel loads upon the highways." As to the application of wheel-loads, he said:

"Our tests show that in the application of wheel loads to the road, if the wheel rests as much as 36 to 40 inches apart, if the point of contact of one wheel is 36 inches ahead of the next wheel, there is no overlap of stresses in the road structure. In other words, the road has to carry only the weight of each particular wheel. The stresses do not pile up. Therefore, if we had a load to move on the roads that would take more than 18,000 pounds on the rear axle, it should be solved by placing two 18,000-pound rear axles with four wheels in place of two wheels."

High Speeds Not Harmful.

Mr. MacDonald's testimony also exploded the fallacy

of the popular opinion that to operate automobiles at high speed produces a heavier burden upon the highway. He testified that with balloon tires the maximum impact is reached at about twenty-five miles per hour, and that the faster you go after passing twenty-five miles the easier it is upon the road, and that in the case of high pressure tires the impact reaches its maximum at thirty miles an hour and remains practically constant for higher speeds. As pointed out by him, this does not seem quite logical until we think of the illustration with which we are all familiar that you can skate over thin ice at high speed which will not hold you up at low speed. The following question and answer illustrate his conclusion upon this point:

Q."Then, do I understand in general it is your view if you use pneumatics speed has nothing to do with the necessary construction of the highway?

A."Within practical limits that is true, yes, sir. I think it would be conceded that we would not want to build highways for speeds of under 25 miles per hour, and if we build them for 25 miles per hour the speed up to a reasonable maximum of say 45 would not affect the condition very much. That is due partially to the inertia of the road and the fact that impact of the same maximum amount is not as serious in the breaking down of a road as a static load of that same amount left on the road, because it takes into account the inertia of the road."

Our Thick Pavements Sufficient for Traffic.

It will be noted that Mr. MacDonald takes as his

basis of discussion a highway 6 inches thick in the centre and 7 inches at the edge, which he shows will carry up to a 5-ton truck. Our Canadian highway pavements, however, on account of our more rigorous climate, are built thicker and can therefore carry heavier loads. Most of our provinces follow the standard of the province of Ontario which, since 1923, in its two standard types of pavement, the concrete and the black base, has adopted a 20-foot pavement 10 inches thick at the edges and 7 inches at the centre. This will carry any load that ordinarily uses the road.

Higher Taxation Not Justified by Road Wear.

The best engineering opinion, backed up not by hearsay or rule-of-thumb opinion, but by elaborate and long continued tests by United States government engineers, therefore is that for climatic reasons we would have to build our highway pavements as thick as we have regardless of whether we had any buses or trucks operating on them at all, that speeds up to 45 miles an hour are no more harmful to a pavement than speeds up to 25 miles an hour, and that the use of balloon tires with large road-surface contact and the distribution of heavy loads by means of multiple wheels has done much to minimize the wear of traffic on the road. There is thus no foundation for the claim that buses and trucks are exceptionally destructive to highways and that, therefore, they should be taxed beyond the heavy imposts they now bear. In Mr. MacDonald's words:

"The heavier trucks and buses by the higher tax which they are paying, and particularly through the collection of gasoline taxes, are fully meeting all excess costs of construction, due to increased thickness that is made

"necessary by these heavier loads. It is a statement that will undoubtedly be contested, but it will be contested largely because the effect on road surfaces of applying loads through a much greatly increased area has never been given the consideration which it demands. Using a very common illustration, we have it to some extent in a diamond edge that will cut glass, but if it were blunted it will not cut glass. That illustrates the point, that by spreading out through pneumatic tires and particularly through balloon tires, the pressure of the wheel loads on the road surface is decreasing their destructive effect as measured by the stresses which they place in the concrete."

Rate Regulation.

The question of the regulation of freight rates charged by highway motor transport companies is a much discussed one. There undoubtedly exists a considerable degree of rate-cutting, and there is no doubt that most of the companies engaged in the transport business would welcome the fixing of minimum rates or some other form of rate regulation by the provincial governments having jurisdiction. It is a question of public policy whether this is desirable or not. While many transport companies will fall by the wayside in the struggle for business, it is to be remembered that the government, in so far as public carriers are concerned, restricts the number of carriers operating on given routes, and that the public gets the benefit of the lower rates. Mr. J. F. Deasy, vice-president of the Pennsylvania Railroad, and an able authority on the relation of bus and truck services to railway

services, claims that the question of regulation "is an economic one and not a regulatory or legislative one." Mr. Deasy made this statement in the course of testimony given by him before the Interstate Commerce Commission at Washington on March 4, 1931.

History shows that railways were regulated because they had a monopoly and because the public interest was abused by that monopoly. Motor highway transportation is not a monopolistic, but a highly competitive business, and thus contains within itself a regulatory influence that works for the benefit of the public. Indeed, since the monopoly of the railways in transportation is growing less and less, it is a question whether the public interest would not be served by freeing them of some of the restrictions imposed when they did possess an almost complete monopoly.

Public Carrier Trucks 4 per cent of Truck Registrations.

Any demand that exists for regulation seems to be directed mainly against the public carrier motor truck. Public and private carriers taken together handle but a small proportion of the freight transportation of the country. Mr. Bernard Allen, of the Bureau of Economics of the Canadian National Railways estimates that motor trucks accounted for a revenue of about \$22,000,000, or approximately 4.88 per cent of the railways gross revenue.

Mr. Allen made this statement in the course of a paper on "The Highways and Commercial Highway Operation" which he delivered before the Canadian Railway Club at Montreal on November 9, 1931.

He assumes that all of this was taken from the railways,

which is hardly a valid assumption since the motor trucks themselves by opening up new routes no doubt created some of this traffic. Only a very small percentage of the total number of trucks registered are public and contract carriers. Mr. Allen estimates this percentage as 4 per cent of the total truck registration. It may well be asked then what appreciable help would be given to the railways by placing restrictions on this small percentage of trucks. Very little, indeed. Yet it would mean considerable loss and inconvenience to the public.

Restricting Public Carriers Would Increase Private Carriers.

It should be noted also that the imposition of burdensome taxation and other restrictions on the operation of public carriers sufficient to drive them out of business would be an invidious discrimination against the small merchant and business man who has not sufficient capital or business to operate a truck or fleet of trucks for carrying his own goods, but must go out and purchase his transportation from the common carrier. Such restrictions, further, would result in the larger firms going into the trucking business themselves to handle their own freight. The railways would not get it. It would still move over the highways.

Uneconomic Regulation Defeats Itself.

"My observation is this", said Mr. Thomas H. MacDonald in giving evidence before the Interstate Commerce Commission, "that motor transport of all kinds, both passenger and freight, fits into a very definite field that cannot be filled by either the railroads or

"the waterways or the airplanes, and that it is so flexible that any uneconomical regulation only succeeds in denting it at one point and bulging it at another. I may use as an illustration the picking up of a handful of molasses. You can pick up a handful of molasses, but it is impossible to hold it, because it will squeeze out through the fingers when it gets warm. It is this extreme flexibility of motor transport and the fact that it fits into a definite place in our scheme of transportation that will defeat any uneconomic regulation, because it will change over into some other type of utilization. That is reflected in all studies of highway transport."

I may add that this evidence will be found in Interstate Commerce Commission Docket No.23400, on "Co-ordination of Motor Transportation," dated March 5, 1931.

Highway Transportation Benefits Railways.

All evidence goes to show that railways instead of being harmed have benefited greatly from the coming of the motor vehicle. The wonder is all the greater that they should be trying to restrict its use instead of actively making use of it themselves to provide cheaper and more convenient transportation for the public. As previously pointed out, the stimulus the automobile has given to the oil and gasoline, the rubber and the iron and steel business alone has meant millions of dollars in revenue to the railways, if we entirely disregard the additional traffic it has given them by the stimulus imparted to the whole commercial and productive structure of the country. The annexed table showing that

materials used in the automobile manufacturing industry in one year only, the year 1929, were valued at \$120,000,000, gives only a slight indication of the tonnage the railways have received from this and other industries as a result of the advent of the motor vehicle.

I am filing a copy of this table with the Commission.

The records of the United States Interstate Commerce Commission impress this point:

"The steam railroads have undoubtedly lost much business to the new highway transportation agency, but it is also probably true that in the aggregate this has been more than offset by the gain from the new traffic created by the development of the automobile industry. In the words of the president of one of the great transcontinental railroads in reference to the automobile industry -- 'Its importance is so great, taken as a whole, that the railways gain much more from the freight traffic it gives them than they lose from the freight and passenger business it takes away'."

Highway Jurisdiction Rests With Provinces.

It would be an oversight to take leave of the subject of regulation without referring to the matter of jurisdiction. The British North America Act gives the provinces of Canada jurisdiction over motor vehicles and highways since they come within the categories of local works and undertakings and property and civil rights, -- I am stating the effect of section 92, subsections 10 and 13. --and there is no doubt the provinces would strenuously oppose any surrender or limitation of their control. This being so, it would be impossible to regulate highway

motor traffic by a uniform Dominion law. Uniformity in regulation is generally speaking desirable, especially as traffic increasingly transcends provincial boundaries and becomes interprovincial. It would seem that the only feasible way to harmonize provincial legislation and make for uniformity in the administration of motor traffic and highway affairs is the establishment of a central office for the collection and dissemination of data on these subjects with a view to correlating provincial activities, harmonizing laws and regulations, collecting statistics on a comparable basis and publishing information tending to the creation of a well-informed public opinion and conducive to the enactment of intelligent legislation.

Railways Should Coordinate With Highway Transportation.

The motor vehicle has undisputedly through actual efficient performance made a place for itself in our transportation system, and it is useless for the railways to refrain longer from making use of it fully in coordination with the efficient line service they have been designed to give. It would enable them to overcome the weakest feature in their system of transportation -- the handling of short-haul and branch line passenger traffic and less-than-carload freight. The railway has attained the economy of the heavy trainload in the line-haul only at the expense of increasing the size of its cars and the weight of its carload.

"Our average load of less-than-carload freight", says J.R.Turney, vice-president of the St.Louis Southwestern Lines, "is less than five tons in a container whose net capacity is forty tons and whose total weight is twenty

"tons; that is, we haul four pounds of car for each pound of less-than-carload freightTraffic that is insufficient to warrant an additional train at a cost of several dollars per train mile (it was \$3,681 in Canada in 1929) is more than sufficient to warrant several truck units at a cost of 30 cents per mile."

This quotation is from an address on "The Motor Truck --A threat and an Opportunity" delivered by Mr. Turney before the Associated Traffic Clubs of America at Tulsa, on October 28, 1951.

He goes on to point out the disabilities of packing, incomplete carriage, inflexible schedules; and the interminable delays of short-haul railway transportation, stating that of the total life of a freight car 90 per cent is spent in terminals, switching and unloading and around shops, and only 10 per cent in line-haul movement. Coordination with the truck and the bus would, he says, eliminate most of these difficulties. United States railways, notably the Pennsylvania, the New York Central and the New Haven, are making increasing use of motor highway transportation, and it is only a question of time till the same will be done by our Canadian railways. It will require mainly a change of mental attitude on the part of railway executives and a writing down of investments made in terminal facilities now being rendered partially unnecessary by the new form of transportation. It may mean a change in rate structure with cost of service given a greater influence in rate-making than the charging of what the traffic will bear. By such changes the public should ultimately benefit.

Conclusion.

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In conclusion, it may be said we have shown the extent to which the industries and interests connected with the motor vehicle and with highway transportation have become a factor in our economic and social life, and the service and convenience they afford to every class of society. We have shown how these new forms of transportation have benefited the railways by bringing them increased traffic, and have demonstrated how the troubles from which the railways are suffering are due to inherent defects in railway policies and administration rather than to highway competition. It has been shown further that highway transportation has not received public aid comparable in extent to that accorded the railways and water-borne transportation, and that motor vehicle transportation is not only paying its way but in some instances is contributing also to general provincial revenues. It has been demonstrated by reference to expert engineering testimony that our highway pavements in order to resist weather conditions would have to be built as heavy as they are, even if there were no truck or bus traffic, and that trucks and buses because of greater tire area contact with the roadway are no more destructive to it than ordinary passenger cars. It is submitted therefore, that increases in taxation on highway transportation would be discriminatory, inequitable and economically harmful. We submit, further, that the railways are not justified in asking that additional and punitive taxation be levied on highway transportation, thus penalizing large numbers of people who depend on

it for a convenient and necessary form of service.

Additional force is lent to this contention since the railways have not attempted to supply the transportation needs which the motor vehicle has supplied and which the public demands.

We believe that the railways, through the working of relentless economic forces, must and will go into the motor truck and bus business, and that public authorities should afford them facilities to do so in competition with those interests that have pioneered in that form of transportation. We believe it to be unwise for railway interests to endeavour to secure restrictive and punitive regulations on motor vehicle highway transport, which, as we have shown, is more than paying its way, and in some provinces very much more than paying its way; and that any attempt by the railways to use public sentiment in favour of such laws as are necessary to make the highways safe for public travel and protect them against undue wear as cover under which artificially to perpetuate obsolete facilities and practices will, in time, most severely react upon themselves. The public should have, without delay, the benefit that will accrue from the coordination of highway transportation with railway transportation, and in this process of coordination highway transportation asks only for a fair field and no favours, -- but it does ask for a fair field.

COMMISSIONER LOREE: In your paper you have omitted one matter that has been very much in my mind. The press in the United States says that in 1930 thirty thousand people lost their lives by motor accidents? Have you given that

any consideration?

MR. PATTON: I have not dealt with that phase of the subject.

COMMISSIONER LOREE: Do you not think it is sufficiently important for notice?

MR. PATTON: It is.

COMMISSIONER LOREE: I was rather appalled by it. You have given some contrasts of the cost of operating a motor bus and a train. Our understanding is that 84 per cent of the motor buses in the province of Ontario handle 30 people or less.

MR. PATTON: I could not say as to that. The motor coach representative probably would be able to give you those figures.

COMMISSIONER LOREE: Is it your idea that a railroad train consists of a locomotive and a coach with a capacity of about 30 people?

MR. PATTON: No.

COMMISSIONER LOREE: Then why make those contrasts? They have no statistical value. You are not comparing like things when you compare a train with a bus.

MR. PATTON: Except in this respect, that your train often carries no more people than your bus.

COMMISSIONER LOREE: But it is its capacity. You are comparing them on a capacity basis as vehicles of transportation. I think that is all, Mr. Chairman.

THE CHAIRMAN: Thank you, Mr. Patton.

Mr. O'Connell and Mr. Buckley, representing the Toronto District Labour Council.

MR. L. O'CONNELL(Chairman, Toronto District Labour Council): Mr. Chairman and Commissioners, as Chairman of the Toronto District Labor Council, representing some 50,000 industrial workers in the city, I may say that the brief we are submitting on behalf of organized labour was discussed at several meetings of our Council, and I am going to call on our secretary to present it to your Commission. Mr. Buckley.

MR. J. W. BUCKLEY(Secretary, Toronto District Labour Council): Mr. Chairman and Members of the Royal Commission on Transportation:

The Toronto and District Labour Council, representing one of the largest centralized groups of workers in the Dominion of Canada, at its regular meeting held on December 3rd, 1931, instructed us to present for your consideration the following statement setting forth the views and conclusions of its members on the general question of Canadian Transportation and the many correlated problems of the present day.

Highway Competition;

It is all very well to say that the public is entitled to competition from other forms of transportation, such as bus, truck, water-ways and private autos; but railroads must remain the backbone of transportation as far as anyone can see for a long time to come. All other forms together can hardly provide at best even a passable substitute for all-the-year-round service.

We must admit that the railroads register certain complaints which are not only sound but of fundamental national importance. For instance, it is preposterous

to continue to exact enormous taxes from the railroads, and yet in addition require them to pay a larger proportion of the cost of grade crossing elimination, particularly in districts which they themselves have developed. These things are made necessary by the increasing use of motor vehicles which are direct competitors of the railroads. Speaking generally, the time has come when railroads should no longer be compelled to build up their competitors.

Moreover, if the users of highways are to be permitted to compete with the railroads for traffic, it is submitted that consideration be given to the following points:

- (1) Trucks should not be of such width or driven at a speed which would endanger private vehicles.
- (2) Weight of trucks to be limited so as not to damage the highway and thereby place increased burden on the province.
- (3) Truck owners or operators should pay taxes commensurate with use and profits gained from the use of public highway facilities.
- (4) Rates and fares should be subject to the same form of regulation as applies to railways and steamships.
- (5) Drivers of trucks and other commercial vehicles should be required to pass mental, physical and operating tests similar to those imposed on railway engineers and firemen.
- (6) Generally, the operation of trucks and other commercial vehicles using public highways should be controlled by the Board of Railway Commissioners or other similar commission.

Cooperation and Coordination of Services.

It is clear that the country cannot go on as now regulating railway rates, etc., while at the same time subsidizing as it does two other forms of competition -- highways and water-ways.

Such a course can only have one of two results, either to kill the railroads and leave the country destitute of adequate transportation, or to accomplish their complete absorption by the government. When you build development railways in a new country you gamble on the future of that country. But do not let us deceive ourselves that we can build and expect a railway to pay right from the start -- it cannot be done.

We are, however, inclined to the view that advantage would result from a greater measure of cooperation and coordination of the activities of the Canadian National and Canadian Pacific railways particularly related to development; that steps should be taken to remove over-lapping or duplication of effort; and whereas in the case of elimination of grade crossings the administrative policy is altered or normal programmes are accelerated in order to provide employment and development work, these emergency activities should be kept separate and distinguishable from the ordinary operations of the two railroads.

Furthermore, the most sensible course might be to effect the gradual coordination, and perhaps unification, of all forms of transport. We should cease to have railroad lines, steamship lines, bus lines, truck lines and airplane lines -- but we should have transport lines. The closer coordination of railroads and trucks is needed, with

the consolidation of shipments and the use of railways to break up points.

In the same way it is a superficial policy to try and keep railways and water-ways wholly separated. When a person sends an article by express or mail he does not stop to think whether it goes by train, boat or motor vehicle. It goes by express or mail. Other kinds of travel, other kinds of transportation, should become a unit. That way lies progress, efficiency and elimination of waste.

The railway puzzle can be solved by common sense. It will only grow worse if approached in a spirit of partisanship of each particular type or form of transportation, or of senseless fear of true progress.

Uniformity of Railroad Accounting.

Comparisons of the operating revenues and operating expenses of privately and publicly owned railways are at best odious, and often misleading to the general public unless there is uniformity of accounting systems. Many instances can be cited where difficulties exist as to the correct distribution of charges, that is, as between capital and operating accounts, resulting in over-statement of capital assets and fictitious profits.

Moreover the policy of inflation, based on momentary conditions and on the unreasonable expectation that those conditions would continue, have seriously added to the financial difficulties of the privately owned railroads, whilst in the case of the National railways the dead-weight of over-capitalization may have to be thrown overboard unpleasant as the process might be. See pages 80, 81 and 82 of the Minutes of Proceedings and Evidence

submitted to the Select Standing Committee on Railways and Shipping in June, 1931.

Attention is also directed to the following extract from Order No.15,000 of the Interstate Commerce Commission of the United States, dated July 29, 1931:

"That all steam railroad companies subject to the Interstate Commerce Act shall, effective January 1st, 1933, institute depreciation accounting as hereinafter prescribed with respect to classes of common carrier property for which depreciation charges may properly be included under operating expenses."

By virtue of this order depreciation accounting, which previously only affected equipment, was extended to numerous classes of roadway property owned or operated within the jurisdiction of the Interstate Commerce Commission.

It is submitted that consideration be given to the recommendation of similar regulations to insure uniformity of accounting for all railroad property owned and operated in the Dominion of Canada. Eventually such regulations might be extended to other forms of transportation.

The financial effect of depreciation accounting and the setting up and accumulation of depreciation reserves is primarily to retain certain funds which are not needed to meet current expenses, and to use such reserve funds for the expansion and development of capital works and property without having to resort to additional financing.

The British railroads have demonstrated the practicability and soundness of this policy as a means of alleviating unemployment and distress during the recent "economic blizzard".

Unemployment Insurance:

The general acceptance of the principle of depreciation accounting and reserve funds to take care of "wasting assets and property" emphasizes the necessity for a scheme for unemployment insurance which will take care of the worker during periods of business depression and unemployment. Despite all that has been said and written, it cannot be truthfully denied that state insurance against unemployment was proved to be administratively practical and actuarily sound in Great Britain during the years 1912 to 1920. The subsequent exploitation of ex-service men revealed the ulterior motive to discredit and thwart the success of the British Unemployment Insurance Acts. Reference to the recommendations as to

"Raising the income limit for the inclusion in the scheme of National Unemployment Insurance of non-manual workers from £250 per annum to say £350 or £400 per annum,"

on page 151 of the Report of the Committee on National Expenditure, better known as the "May Economic Report", which was submitted to the British Houses of Parliament on July 24th, 1931, furnishes additional testimony in support of the British belief in the principle of unemployment insurance.

Capital Investment in Railroads:

The position of shareholders and investors in Canadian railroads is much discussed at the present time, and there is a great anxiety in certain quarters that such interests should be protected against loss in the settlement of future ownership. Each investor took these shares or

bonds as an investment; but so did the people who bought first and second mortgages on a house or lot, or a half interest in a farm or factory. During the past two years millions invested in farms and property have been lost, and thousands of Canadians have been ruined by foreclosure or deprived of their land. Has the government taken any steps to secure these sufferers against their losses? The individual's sense of right will tell him that one form of investment is no more sacred than the other. Furthermore, what action will the government take to protect the interests of the technical, skilled or unskilled worker whose livelihood and that of his dependents is being jeopardized after a lifetime of service in railway transportation? Such technical knowledge skill and experience will be of little value to him in his efforts to just adjust himself to the changing industrial order. Yet we hear an outpouring of appeals to protect the railway investor, with not a thought of the loss which the general public is compelled to suffer by the failure of politicians to "Blast a way into the markets of the world." The following extract from the fiftieth annual report of the directors of the Canadian Pacific Railway Company for the year ending December 31, 1930, needs no comment --

"The new tariffs put into effect by the United States and Canada during 1930 have had quite an effect on the business of your subsidiary."

Differences between Employees of the State and those engaged in Private Enterprise:

There are two general considerations in regard to the pay and conditions of service of employees of state, public utilities and railroads, which are apparent to all

of us. On the one hand, the state, public utilities and railroads should hold the scales even between their own servants and those through whose enterprise such servants are paid. On the other hand, employees of the state, public utilities and railroads would have real ground for complaint if their pay was regulated by wages in industry only during the time of low wages. If they did not get pay relative to the boom they must be spared the severity of the slump. Furthermore, any temporary reductions in salaries or wages should be made on a graduated basis ranging from 1 per cent to 25 per cent of monthly earnings.

The state, public utilities and railroads, as model employers, should offer security, pensions, dignified service and moderate salary or wages in exchange for the excitement and possibilities of private employment. The employees of the state, public utilities and railroads have certain rights which cannot be ignored -- it would be totally unfair and unjustifiable to lay off thousands of public servants and railway employees and merely transfer the burden of their maintenance directly on to the cities, provinces and the federal government.

With regard to those employees of the railway systems who are still suffering partial disability, caused or aggravated by war service, and who are likely to be affected by an all-round reduction of income, due consideration must be given to the fact that disablement is not only related to economic disability but extends largely, in many cases, into the field of personal and social disability, involving onerous restrictions and limitations upon the ordinary enjoyment of the amenities of

life, which cannot be attributed to any fall in the cost of living or be regarded as closely comparable with any loss of income to be borne by persons not subjected to such disability.

Wasteful and uneconomic Expenditure:

Much of the national effort is today being absorbed outside the realm of public control in forms of wasteful and uneconomic expenditure or in the provision of various forms of luxury, which, as regards the latter, while permissible in times of prosperity, cannot be disregarded in the consideration of means to meet the present time of stress. In any event, we are satisfied that as a principle of sound national economy before any sacrifice can be equitably called for in a reduction of the national services which represent absolute necessities to the workless and low paid citizens, the sick and infirm and the aged, there is ample field of exploration for taxation and for restriction of expenditure in other less justifiable directions.

Conclusion:

It is finally submitted that the Commission in its deliberations and recommendations will give due and ample consideration to the views herein expressed, and that if sacrifices are to be called for in order to maintain the financial stability of the railways, to restore and extend the transportation systems of this country, and to re-absorb the unemployed into industry, then such sacrifices should be made by all sections of the community with proper regard to the relativities of capacity to make and to bear.

THE CHAIRMAN: Thank you, Mr. Buckley.

Mr. W. G. Robertson of the Canadian Automobile Association.

MR. W. G. ROBERTSON(Secretary, Canadian Automobile Association): Mr. Chairman and members of the Commission, I trust that I may have your indulgence to omit from the brief which I have prepared such parts as would over-lap the material already submitted by Mr. Patton.

The Canadian Automobile Association -- which I represent as Secretary -- was formed in 1913 by the grouping together of the then existing organizations of automobile owners in each of the provinces of Canada, for the purpose of furthering the interests of motorists throughout the Dominion. The constituent clubs of the Association have a membership of approximately 50,000 motor vehicle owners. Their activities relate to all features of highway improvement, and motor vehicle legislation, and while more especially interested in the passenger car field, extend also to include the operations of commercial motor vehicles, - The Ontario Motor League and the Nova Scotia Motor League having special membership sections for motor truck owners.

Our organization is affiliated with the International Touring Alliance, and many of its constituent clubs are affiliated with the Royal Automobile Club of Great Britain.

When the Canadian Automobile Association was formed in 1913 there were owned in the whole of Canada fewer than 50,000 motor vehicles, as compared with the present total of approximately 1,200,000. There were in existence scarcely any paved roads outside of urban municipalities, and the now generally accepted idea of a hard surfaced highway extending from the Atlantic to the Pacific at that time had few

advocates, although even then put forward as an ideal objective by our association.

Development of Road Building:

It may be recalled that the first inter-urban paved road in Canada was built between Toronto and Hamilton during the war period, having been started as an unemployment relief measure late in 1914 with the establishment of registration bureaus for the unemployed in Toronto and Hamilton. Gangs were rotated on the roadwork every three weeks in order to take care of as many men as possible. That is a condition we have today -- history repeating itself -- with regard to the construction of the Trans-Canada Highway in northern Ontario.

Road improvement on a large scale throughout Canada, however, is a post-war development, having been given its first great impetus by the appropriation of \$20,000,000 made in 1919 by the federal government for the purpose of aiding the provinces in road building.

Until 1919 no very considerable expenditure of money had been made throughout Canada on highways for the purpose of bringing them up to standards specially required for motor vehicle traffic. Yet it is interesting to note that the total road mileage of the Dominion was then, as now, approximately 400,000 miles. So we have improved the standard of our roads rather than greatly extended their mileage.

Mr. Patton has referred extensively to highway costs and revenues. Suffice it to say that the estimate which I have made shows that approximately \$600,000,000 was spent by provincial authorities on roads -- including debt charges -- during the period 1920-1931, inclusive, -- twelve years.

From this total a considerable reduction is to be made as representing the expenditure necessary had motor vehicles not come into general use. This deduction might be arbitrarily set at one-third, or \$200,000,000, for the twelve year period, leaving a total of approximately \$400,000,000 occasioned by motor vehicle operation, although a considerable portion of this amount has been of the nature of an investment in permanent improvements, such as reduction of grades, elimination of railway crossings, realignment, rock cuts and fills, and construction of bridges and culverts.

Against this sum motor vehicle owners have in the same period contributed to the treasuries of the provinces a total of approximately \$250,000,000 in permit fees, gas taxes and miscellaneous items. They have contributed also to the treasury of the federal government a total of \$200,000,000 in customs duties and excise taxes. This makes a total of approximately \$450,000,000 paid by motor vehicle owners in special taxes, as compared with an estimated expenditure by the provinces of \$400,000,000 on account of road construction to meet their requirements. It does not appear therefore that motor vehicle owners can be charged with running the country into debt on their account, or the authorities on the other hand with over-expenditure on highways.

While the Dominion Bureau of Statistics estimates that the provincial highway debenture debt outstanding December 31st, 1930, totalled \$326,658,978, it must be kept in mind in considering this figure that in most of the provinces all special taxes collected from motorists have been added to the general revenues and not ear-marked for road building purposes. The total highway debenture debt therefore has

little bearing on the question of net cost of roads in relation to revenues from motor vehicle owners as such. In the province of Ontario, for example, the revenue from licence fees and gasoline tax during the last few years has been much more than sufficient to meet the entire outlay on construction and maintenance of provincial highways.

The Automobile Industry:

In estimating the revenue accruing to the country from motor vehicles no account has been taken, apart from duties and excise taxes, of the large revenues which have resulted from the development of the automobile industry in Canada. This has been dealt with very fully in Mr. Patton's brief. It might be pointed out, however, that there appear to be over a quarter of a million people employed directly or indirectly in the industry in Canada. Over 200,000 persons hold licenses as professional chauffeurs. Mr. Patton mentioned 50,000 persons employed in gasoline stations and garages. In addition to this you have the persons employed in the industry, and then again you have the many thousands who are employed in road building and maintenance, and in supplying materials to road sections; these might be conservatively estimated at an additional 30,000. Roughly, therefore, 300,000 persons in the country are gainfully employed because of the development of the highways through the use of the motor vehicle.

Motor Tourist Traffic:

No one today in estimating the sources of wealth in Canada can overlook the motor tourist. According to the estimates of the Dominion Bureau of Statistics more than two billion dollars have been spent in Canada by tourists in

the last ten years, and of this total approximately one and a half billion was spent by motor tourists.

This enormous revenue is attributable almost entirely to two factors: the improvement of highways and the existing reciprocity with respect to motor vehicle permits as between the provinces of Canada and the states of the United States. Without good roads certainly motor tourists would make no substantial contribution to this country's sources of income. The expenditures anticipated by motor tourists this year are being looked to as an agency which should materially assist in restoring the Canadian dollar to a basis of par in relation to the United States dollar.

At the time when reciprocity in motor vehicles was being debated in 1916 the Honourable Francis Hugo -- a Canadian born in Ontario who moved to the states and became Secretary of State for New York State -- speaking at the annual meeting of the Ontario Motor League, advocated the construction of paved highways in Canada as a means of attracting motor tourists. "Go ahead and build your paved highways," Mr. Hugo urged, "and we Americans will come over and pay for them." This prediction has since been literally verified. This country's investment in highways appears to have been amply repaid in the returns received from tourist traffic.

May I say here, Mr. Chairman, that the motorists of Canada have no quarrel with the railways for the money spent on building hotels. We are very glad to see those hotels. They are no doubt powerful magnets in attracting motor tourists to Canada and, incidentally, increasing the revenues of the railway companies.

Because of the growing volume of inter-provincial

and international motor travel, uniformity in traffic regulations between the United States and Canada is becoming of increasing importance in the interest of public safety and convenience on the highways. Legislative programmes relating to traffic control accordingly should be shaped with this object in view. We have on our highways annually millions of motor vehicle owners and operators from the United States; and we ourselves go over there in our hundreds of thousands and operate under their regulations. So it is quite obvious there should be some uniformity in the more essential features of highway legislation.

May I add that the Canadian Automobile Association and its constituent clubs regard no feature of motor vehicle use with greater regret and almost extreme apprehension than the toll of lives which is taken annually on the highways of this country. Our associations, in conjunction with the provincial governmental organizations, have been doing all in their power by educational efforts to encourage safe driving on the highways. By means of radio broadcasts, public addresses and newspaper articles in connection with the highway safety campaign carried on by the province of Ontario, we have done what we could to cut down this toll of accidents. In this direction the government of the province has for several years done very effective educational work under the direction of Mr. J. P. Bickell, Registrar of Motor Vehicles.

May I say further that the Automobile Association also supports and endorses the financial responsibility legislation which has been put into effect in this province and in other provinces. Under this legislation a motorist's license is taken away from him if he does not behave himself

on the highways, and before it is restored to him he must prove that he is financially responsible by providing either a bond or an insurance policy to meet any further damage which he might occasion on the highways. In this respect we are following the example of the leading states of the Union. The Trans-Canada Highway:

Now, while much progress has been made in road improvement, it is still impossible to travel across Canada by road. This is mainly due to the fact that a gap of several hundred miles intervenes in northern Ontario between the road systems of western Canada and eastern Canada. Thousands of men are now at work on this section bridging the gap. The project is serving the double purpose of furnishing employment to great numbers of men who would otherwise be unemployed and creating an asset of incalculable value to Canada.

Speaking at the last annual meeting of the Canadian Automobile Association, Mr. Ernest N. Smith, Executive Vice-President of the American Automobile Association -- an organization with over a million members -- said, that in order to increase its volume of tourist traffic Canada should go ahead and build additional highways so that motor tourists might be given wider horizons. The completion of the Trans-Canada highway, Mr. Smith declared, would have as a result an extraordinary increase in tourist traffic, and also an increase in the average duration of time spent by motor tourists in Canada, with consequent increase in the average expenditure made by them in this country.

Our association at its annual meeting held in Vancouver in October, 1930, by unanimous resolution petitioned the federal government to adopt a permanent policy of

federal aid to the provinces in the construction of main highways, and urged the passing of such legislation by the Parliament of Canada as would provide for the setting apart of the Trans-Canada highway as a national highway with provision of the funds required to assure the construction of the unconnected sections immediately. The present government is pledged to the development of the Trans-Canada highway as a federal responsibility, and at the annual meeting of our association held in Toronto in September last, a resolution was unanimously passed expressing appreciation to the government of its action in taking definite steps to bring into being a completed Trans-Canada highway. The value of this highway to Canada in terms of tourist traffic revenue, national integration and international prestige will be inestimably great according to the considered opinion of eminent authorities.

The completion of the missing links of the Trans-Canada highway is being looked forward to with eagerness by the motor vehicle owners of Canada, who are becoming increasingly impatient that physical barriers should prevent the free circulation of motor vehicles between all the provinces of Canada. It is the earnest hope of the Canadian Automobile Association that the work on the national highway will be carried to completion at the earliest possible date.

Comparison of Taxation and Motoring Costs:

In relation to the taxation of motor vehicles it is to be noted that the average amount paid in registration fees and gasoline tax in 1930 was \$34.54 per vehicle in Canada, as compared with \$33.09 in the United States.

It should be kept in mind that motoring costs generally are higher in Canada than in the United States. Motor vehicles cost more and gasoline and supplies of nearly all kinds cost more -- perhaps 540 per cent more on the average, when exchange is at par, owing chiefly to duties and taxes. For this reason mainly, Canada has not become motorized to the same extent as the United States where there is one car to every 4.6 persons, as compared with one to 8 persons in this country.

There are however only three countries in the world in which a greater total number of motor vehicles are owned than in Canada: The United States, Great Britain and France, while in proportion of cars to population, the Dominion of Canada ranks next to the United States.

The widespread use of the motor car in this country by all classes is not to be attributed to a popular passion for the pleasures of motoring. It is the utility of the motor vehicle as a means of transport which has led to its universal use. More than half of all the motor vehicles owned in Canada belong to farmers and other residents of rural districts. No agency in recent years has contributed as much to the improvement of social and economic conditions in the rural life of Canada as has the motor vehicle.

Development of motor transport in Canada gave impetus to road building, and the improvement of roads in turn gave further impetus to motor transport, so that in the last ten

years greater progress has been made in the improvement of roads throughout the Dominion than in the previous fifty years.

Expenditures on road building in Canada have not however been any greater proportionally during the last ten years than expenditures in the United States and Great Britain, and there have not as yet been built in this country super-highways of the type to be found in the United States, Great Britain and Italy.

In relation to expenditures it may be pointed out that in the last twelve years Canada's expenditure has been \$600,000,000, and the United States has spent in the same period approximately \$14,000,000,000, and Great Britain approximately \$3,000,000,000. In other words, the expenditure on highways in the United States has been 23 times as great as the expenditure on highways in Canada, while in Great Britain the expenditure has been 5 times as great as that of Canada. So that proportionately this country has not spent more money on highways in relation to population or the number of motor vehicles than have either Great Britain or the United States.

Commercial Motor Vehicles:

The use of commercial motor vehicles in Canada has developed greatly during the last few years, a total of 165,464 motor trucks being registered during 1930 as compared with 65,327 in 1924. More than two-thirds of all commercial vehicles in use in Canada however are of less than three tons gross weight (weight of load plus carrying capacity), and equipped with pneumatic tires. The classification of motor trucks registered in the

province of Ontario in 1930 shows 58,196 trucks equipped with pneumatic tires and 1,978 equipped with solid tires.

In 1928 the totals were 42,728 equipped with pneumatic tires and 4,666 equipped with solid tires. The trend toward pneumatic tires on trucks is thus clearly shown.

Important factors contributing in recent years to the protection of highways under heavy traffic, are the improvements in motor truck design and equipment. Among these might be instanced the reduction of unsprung weight, improvement in springs, and shock absorbing devices, reduced total weight of vehicle and its more equal distribution, and the lowering of mass and centre of gravity, all of which tend to reduce road shock. The cushioning capacity of both pneumatic and non-pneumatic tires also has been increased to a degree which materially reduces road wear and tear.

Mr. Patten has referred very fully to the studies of the United States Bureau of Public Roads. I need not reiterate their findings with respect to the fact that a seven-passenger motor car places an almost equal stress on the highway at a speed of thirty miles an hour as does a seven and one-half ton truck when equipped with pneumatic tires.

Throughout Canada it is the practice to restrict truck carrying capacity during periods when the frost is coming out of the ground. In some provinces at such times, use of the heavier motor trucks is prohibited entirely, and in others only half loads are permitted. This factor and the frequent blocking of roads entirely by snow in winter months greatly restrict the use of commercial motor vehicles in this country as compared with many parts of

the United States. The northern states which have much the same climatic conditions as eastern Canada permit a higher average gross weight limit than is permitted in our province.

Figures supplied by members of the Ontario Motor Truck Owners' Association, covering 281 motor trucks, show an annual consumption of gasoline of 1,415 gallons per vehicle which means an average of \$70.75 per vehicle paid annually in gasoline tax at the prevailing rate of five cents per gallon.

If the consumption of gasoline by all commercial vehicles operated in Ontario were estimated to average 500 gallons per vehicle, per year, the amount paid in gas tax on account of commercial motor vehicles would be approximately \$2,500,000 which, together with permit fees, would make the total annual revenue from motor trucks approximately \$4,500,000. Commercial vehicles constituting about 11 per cent of the total registrations on this basis provide almost 25 per cent of the total revenue. Even allowing a considerable margin, the rate of taxation of the average commercial vehicle is apparently more than double the rate of taxation of the average passenger car. This estimate for the province of Ontario would indicate that relative truck taxation in this province is about on a level with the United States, as figures published by the National Automobile Chamber of Commerce show that trucks and buses in the United States in 1930 constituted 13 per cent of all motor vehicles registered, but paid in taxes 27 per cent of all motor vehicle fees. The total amount paid by commercial motor vehicles in Ontario, and elsewhere in Canada, in view of the findings of the United

States Bureau of Public Roads, appears therefore to be more than adequate in relation to additional road building costs occasioned by the use of commercial motor vehicles.

It may also be pointed out that the majority of commercial motor vehicles are operated mainly within the limits of urban municipalities and make comparatively little use of interurban highways.

The question of fees which should be collected from the owners of buses, and common carriers, doing a general public transport business, or from contract carriers, carrying the goods of special customers, will be discussed by those specially interested in such business, but it may be emphasized that the placing of too steep a rate of taxation on common carriers and contract carriers would mean the transfer of business from them to trucks which would be purchased and operated by the larger business concerns on their own account, leaving the burden of taxation to be shared by the smaller business concerns and their customers.

The highways and their modern uses, like the railways and canals, have become an integral part of the social and economic order. It is needless to elaborate on the general advantages of good roads, now universally recognized. It is as universally admitted that these advantages warrant the payment of a considerable part of highway costs by the "Public". But when one speaks of roads being paid for by the "Public" it should be remembered that there are nearly as many motor vehicle owners in Canada as there are families. Thus besides paying the special motor vehicle taxes, motor vehicle owners are by far the greatest part of the "Public" that pays the general taxes.

Summary:

To sum up: Motor vehicle owners in Canada in the last twelve years, have contributed in special taxes \$450,000,000, an amount which exceeds by \$50,000,000 the total expenditure by the provinces on highways on account of the use made of them by motor vehicles. Through the motor tourists attracted to Canada because of good roads, a new source of revenue has been opened up which has resulted in the expenditure in Canada by visitors from the United States of one billion five hundred million dollars in the last ten years, or more than three times the amount expended by the provinces during the same period upon road improvement. This expenditure is capable of still greater expansion by the opening up of new horizons to tourists through further road improvements and especially through the completion of the trans-Canada highway, to the advantage and profit of all Canadians, motorists and non-motorists alike.

To the motor vehicle, Canada owes one of her greatest industries -- the automobile industry.

Taxation of motor vehicles in Canada is already on a somewhat higher level than taxation of motor vehicles in the United States.

Commercial motor vehicles as a whole are already paying more in taxes than added road costs occasioned by heavier road construction to meet their requirements.

The newer types of commercial motor vehicles, equipped with pneumatic tires, place little more strain on properly built highways than do the heavier passenger cars.

In general, the increased use of motor vehicles in Canada as elsewhere, reflects the public need for mobile,

expeditious individual transportation, and should not be subjected to exorbitant taxation, which in the end might defeat its purpose.

Motor transportation by passenger car, motor truck, and motor bus is playing an increasingly important part in the industrial, agricultural and social spheres of Canadian life. The motor car with the improvement of highways throughout the country is enabling our people to become better acquainted with those features of their own land which annually attract millions of tourists from the United States.

Motor cars and good roads are tending to bring closer together the peoples of the provinces of Canada and are thus contributing in no small measure to that good understanding and fraternal relationship which is indispensable to the future welfare of the confederation.

THE CHAIRMAN: Thank you, Mr. Robertson. I understand Mr. Patton wishes to add something to what he has already said.

MR. PATTON: Mr. Chairman and Commissioners, I would like to enter a formal appearance on behalf of the Automotive Transport Association of Ontario. The coming of the Commission to Toronto was somewhat earlier than we had expected, and we should like to ask the privilege of submitting our brief on or about the 15th of February. I may say that the object of the Association is to promote the interests of the interurban truck operator who is carrying on his business for hire. The Association has 73 members, and the bulk of the membership is made up of what we call in Ontario Class A operators, that is operators on the King's highway for hire, moving between fixed

termini; and the Association membership operates over 64 per cent of the total of the vehicles licensed under Class A.

I may further add that we have here to-day two or three of the heads of the larger motor transport freight companies should the Commission wish to question them.

THE SECRETARY: Mr. Chairman, there are no further names on the list for this hearing. Certain representations have been submitted in writing. There are two submissions by Horace L. Brittain, of the Citizens Research Institute of Canada, on highway expenditure and motor vehicle taxation. There is also a letter of suggestion from Mr. T. F. Summerhayes, 45 Chisholm Avenue, Toronto; a letter and plan from Geo. J. Duffy, 193 University Avenue, Toronto, and a further letter of suggestion from Normah Lymburner, of Wiarton, Ontario. There are also submissions from J. D. Brien, Secretary of the Eastern Canada Live Stock Union, and from the Lawson Patent Process Company of Canada, Limited, of Hamilton. That completes the record here, unless there are any other submissions to be made.

THE CHAIRMAN: If there is no further business before the Commission, we will bring this session to an end.

The Commission adjourned at 5.20 p.m.

ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Royal York Hotel, Toronto, on Wednesday, January 20, 1932.

PRESENT:

RIGHT HON. LYMAN POORE DUFF, P.C., Chairman	
RIGHT HON. LORD ASTOR, M.P.)
SIR JOSEPH W. TRAVERS, Bart.)
LEAUDRY REINER, Esq.)
LEONOR FRESNEL LOFT, Esq.)
WALTER CHARLES JEFFREY, Esq.)
JOHN CLARANCE WIGGON, Esq.)

Commissioners

Arthur Moxon, Esq., K.C., Secretary

George W. Yates, Esq., Assistant Secretary

Officials of Toronto Transportation Commission

Mr. I. S. Fairty, K.C. Counsel

Mr. D. W. Harvey, General Manager

Mr. Eustace Smith, Executive Assistant

Mr. H. C. Patten, Comptroller

Royal York Hotel, Toronto,
Wednesday, January 20, 1932.

OPENING STATEMENT

The Commission met at 10.30 a.m.

THE CHAIRMAN: Mr. Fairty.

MR. I. S. FAIRTY, K.C., (Counsel, Toronto Transportation Commission): Mr. Chairman, I concede that I am not doing much to lessen unemployment in the legal profession by appearing before your honourable body in two capacities, but if you will pardon the dual appearance, I appear with Mr. Harvey, of the Toronto Transportation Commission; and we wish to lay before the Commission a short statement of our activities in the Toronto area. I know that the Commission is not particularly interested in the local situation, but we do operate between 85 and 90 per cent of the interurban coaches running in and out of Toronto, and while the preliminary portion of our statement may appear to you gentlemen as being scarcely relevant to the issues before you, nevertheless I think it is more or less necessary as introductory and as giving your honours a true perspective of the situation in and about Toronto. Therefore I hope you will bear with us while we go over the preliminary part of the matter.

INTRODUCTION

(a) Status of Commission:

The Toronto Transportation Commission is the second largest electric railway operator in the Dominion of Canada and, with its subsidiary, Gray Coach Lines, Limited, is the Dominion's largest operator of motor coaches. Apart from the steam railroads, it is also the largest trans-

portation undertaking in the province of Ontario.

(b) Constitution and Powers of the Commission and
the Authority under which it Operates:

The Commission is a corporate body consisting of three resident ratepayers of the City of Toronto appointed by the Council of the City of Toronto. It was created in 1920 by by-law of the City Corporation under authority of a statute of the province of Ontario (10-11 Geo. V., Chapter 144 -- Exhibit A.) to operate the street railway acquired by the city from the former Toronto Railway Company, September 1st, 1921; to operate the municipal street railway lines then existing and thereafter to assume control of and coordinate such transportation agencies, of whatever nature, as might be acquired or developed by the Commission.

The little red book I hand your honours is our Act of incorporation.

Members of the Commission hold office for three years or until their successors are appointed, and are eligible for re-appointment. No member of the City Council is eligible for appointment to the Commission.

Under the terms of the statute the Commission is required to establish such tolls and fares as shall make the transportation services it directs self-sustaining after providing for such maintenance, renewals, depreciation and debt charges as it deems proper. Capital moneys for the transportation services under the Commission's control, other than such moneys as may be invested from accumulated reserves, are obtained from the City Corporation.

In passing I may say we are proud of the record we have

established. Since 1924 we have not called upon the City Corporation for one cent of money for any purpose whatever. In fact we have now over \$9,000,000 more invested in the capital of the railway and in increased assets than we had in 1924.

COMMISSIONER LAMM: That means that you have to take care of your capital requirements in interest, sinking fund, and so on, out of revenue?

MR. FAIRTY: Absolutely, sir.

SIR JOSEPH FLAVELLE: If you wanted additional money you could get it from the City of Toronto, and you have not asked for any?

MR. FAIRTY: We have not asked for any since 1924.

LORD ASHFIELD: Are these capital moneys raised on the security of the Commission or the security of the city?

MR. FAIRTY: On the security of the City Corporation. Of course we took over what I think everybody will concede was more or less of a ramshackle system. We had practically to re-establish it, and we did at that time spend substantial amounts of money to coordinate the service and render it efficient.

SIR JOSEPH FLAVELLE: How much did you spend at that time?

MR. HARVEY: Counting the purchase price, about \$12,000,000, and there was another \$30,000,000 for rehabilitation and extension.

SIR JOSEPH FLAVELLE: About \$40,000,000,

MR. HARVEY: We have now an investment of \$55,000,000 all told, the last \$9,000,000 being taken from earnings.

MR. FAIRTY: The memorandum continues:

By the terms of the statute the Commission is re-

quired to furnish annually to the Corporation a completely audited and certified financial statement and a report on its operations.

During the initial stages of its operations the Commission did not operate motor vehicles beyond the limits of the city of Toronto. As conditions changed, however, and the necessity and desirability for motorized passenger services grew, its powers in this regard were extended and by an amendment to the original statute (20 Geo. V c. 105) its power to operate motor vehicle services outside the municipal limits was specifically approved. Since June, 1927, these services have been owned and operated by Gray Coach Lines, Limited, a subsidiary company which was granted a provincial charter of incorporation in that year.

All the transportation services under the control of the Commission are operated on a service-at-cost basis.

(c) Statement of Reasons for Submission of Brief:

In view of the extent of its operations the Commission felt that a statement might be of interest and assistance to the Royal Commission on Railways and Transportation in a consideration of the larger transportation problems affecting the Dominion of Canada as a whole. The Commission also desired to draw attention to the significant facts of the development of transportation in Toronto and its environs. Further, as the transportation authority of the city of Toronto, the Commission deemed it its duty to place before the Royal Commission on Railways and Transportation its views on matters involving both its own interest and the interests of the city of Toronto, as well as its relation to other transportation agencies

whose operations are now under review.

Of course it is the interest of the city of Toronto, because our undertaking is owned by the city of Toronto and managed by us as an independent commission.

Should further information be required touching on matters discussed in this statement, or on any phase of the Commission's activities, the Commission will be very glad to cooperate to the fullest extent possible.

LORD ASHFIELD: What sanction do you have to get in order to establish services outside of the municipal boundaries?

MR. FAIRTY: Where we operate purely for local municipalities we have to get special acts. As far as the motor coach services are concerned we can operate where we please as long as we get the authority of the City Council.

LORD ASHFIELD: Outside the city boundaries?

MR. FAIRTY: Yes. The Gray Coach Lines has a separate subsidiary charter. It has power to operate motor vehicles anywhere in the province, subject to the regulation and control of the Department of Highways.

LORD ASHFIELD: Within the limits of the province?

MR. FAIRTY: Only within the limits of the province.

COMMISSIONER WILSON: Did you get your charter for that line from the province?

MR. FAIRTY: That is a provincial charter, yes.

II. SCOPE OF COMMISSION'S OPERATIONS

(a) Consolidated System:

Detailed information covering the Commission's activities is contained in its annual report for 1930 (Exhibit B.) The consolidated balance sheet shows total assets as at December 31st, of \$55,305,798. As

of the same date fixed assets totalled \$51,903,343. This compares with a net funded debt of \$34,632,128. Total revenue from all services for 1930 was \$14,068,379. These figures cover all the services owned by the Commission including those of Gray Coach Lines, Limited.

Final figures for the twelve months ending December 31st, 1931, are not available, but a preliminary statement shows a gross income for this period of \$12,773,516!

As of December 31st, 1930, the Commission operated 279.7 miles of single track; 32.3 miles of bus routes and 543.7 miles of interurban coach routes.

May I explain, sir, that we term bus routes the feeder bus routes within the city; we term coach routes the special services within the city -- sightseeing service, and the other operations of the Gray Coach Lines, interurban coaches.

COMMISSION LEHAN: The bus lines are within the city limits, and the coach lines are outside?

MR. FAIRTY: Yes. As a matter of fact they are painted differently. The bus is painted the standard red, and the Gray Coaches are painted gray.

LORD ASHFIELD: There is no duplication of mileage as between the interurban and the trolley line?

MR. FAIRTY: No.

Its rolling stock as of December 31st, 1930, included 987 passenger street cars, 83 electric service cars, 214 buses and coaches, 39 motor trucks and 9 motor snow ploughs and sanders. The Commission's employees number approximately 4,000.

(b) City System:

The City System, owned and operated by the Commission includes 253.7 miles of single track and 22.5 miles of



bus routes, serving a population of 627,231 and an area of 35 square miles. Revenue passengers handled on the City System during 1930 totalled 199,522,863. The corresponding total for 1931 was 182,923,203.

COMMISSIONER LEMAN: Are you obliged to obtain from the city permission to lay tracks on any particular street?

MR. FAIRTY: No sir, we have complete control of the jurisdiction within the city limits.

COMMISSIONER LEMAN: You do not have to obtain the permission of Council to lay tracks?

MR. FAIRTY: No. After the passage of the by-law conferring powers upon us, it was provided that all the powers relative to transportation within the city should be exercised by our Commission and not by the City Council. It says that specifically.

COMMISSIONER LEMAN: So that you could decide, against the will of the Council, to lay tracks on a residential street, for instance?

MR. FAIRTY: We have.

COMMISSIONER LEMAN: The Council has nothing to do with it?

MR. FAIRTY: No.

SIR JOSPH FLAVILLE: It is the desire to keep it out of municipal politics, and it has been very successfully done.

COMMISSIONER LEMAN: What about the rights of the representatives of the people?

THE CHAIRMAN: These are the representatives of the people.

MR. FAIRTY: We claim we are in a large sense representatives of the people, and we do decide what is

best in their interests.

(c) Suburban Services:

In addition to operating within the city limits, the Commission also provides transportation for 14 municipalities adjoining the city of Toronto. Such services extend as far as twelve miles from the city limits. They are provided on the basis of agreements with the several municipalities and are operated on a service at cost basis by the Commission. In the case of nine of the municipalities the services are operated by the Commission without assumption by the Commission of any financial obligation.

May I say in reference to the remainder, the reason they are not operated on a similar basis is that the city found itself obligated with reference to the radial lines, and had to substitute suburban lines for the old radials -- that is why the others are not on the same basis.

LORD ASHTFIELD: I notice the term "radial lines" is used; these are interurban lines?

MR. FAIRTY: "Interurban" is the other phrase.

MR. HARVEY: It is the only place on the continent where they use that expression. It is purely a local expression.

COMMISSIONER LEBAN: That is because they radiate from the important centres.

MR. FAIRTY: To continue:

Total suburban mileage operated includes 26 miles of single track and 9.9 miles of motor bus routes. The fourteen systems represent an aggregate capital investment of approximately \$2,000,000 and they serve a population in the neighbourhood of 200,000.

Operation of these suburban services is advantageous to the Commission in that they function as feeders to the City System. The municipalities so served also derive direct benefit from low cost of operation made possible by the coordination of their transportation facilities with those of a large city system. Further benefits to the communities served are increased assessments and increased population since the inception of this type of service.

If I may, I would like to produce a map showing the way we serve these various areas.

COMMISSIONER LEMAN: What about the rights so far as the municipalities are concerned?

MR. FAIRTY: In every case we have made an agreement with the municipality interested. Of course it is greatly to their interest, and they are very glad to come in.

COMMISSIONER LEMAN: Have you to go to the provincial authorities?

MR. FAIRTY: Yes, in each case we have to get provincial legislation. Perhaps you will permit Mr. Harvey to explain this map in detail.

MR. HARVEY: The shaded line represents the city of Toronto. Each of these dots represents 100 of population. We have agreements with Long Branch, New Toronto, Mimico and the township of Etobicoke for rail service; with the township of Etobicoke for local services; with the township of York, which has a population of 60,000, for rail service and also the town of Weston for rail service. The township of York owns its own railway lines, in which they have invested about a million and a half dollars, and

we operate them.

COMMISSIONER LEMAN: You mean tramway lines?

MR. HARVEY: Yes. Then we have an agreement with the village of Forest Hill to operate buses for them and supply them with local service. North of Toronto we have an agreement with four municipalities, the townships of North York, Markham and Vaughan, and the village of Richmond Hill, to operate a twelve mile tramway line for them. On the east we have an agreement with the town of Leaside and the township of East York to operate bus services in their municipalities; on the east again with the township of Scarborough to provide a certain amount of rail service, making fourteen municipalities in all. We are building up around the city what is in effect a second zone with agreements to protect us against the encroachment of any other local transportation services.

COMMISSIONER LOREE: Will you be taking up the matter of fares a little later?

MR. HARVEY: I do not believe fares are dealt with, Mr. Loree, in the statement. In the city of Toronto we charge a fare of four tickets for 25 cents, but they can be bought at 50 for \$3, which is 6 cents each. The cash fare -- and there is quite a difference between the ticket and the cash fare -- is 10 cents, but 97 per cent of our people use the ticket fare, which simplifies collection and handling. In the adjoining municipalities the fares vary. There is a second ticket payable on the line out the Lake Shore road, beyond the city boundaries. On this line on Bloor street it is a five cent fare. In the township of York and in Weston it is a five cent fare. On the twelve

mile line to the north it is a zone fare, varying from five cents to thirty cents. In Leaside and the township of East York it is five cents, and east of the city limits, out the Kingston Road to the township of Scarborough, it is five cents additional. The second zone is just beyond the city limits.

COMMISSIONER LOREE: What is the rate of pay for your motormen?

MR. HARVEY: Motormen and conductors receive 60 cents an hour, but the rate is 65 cents when the motormen or conductor is in charge of a one man car or bus.

COMMISSIONER LEMAN: Are there any limits as to the number of hours the men work?

MR. HARVEY: In the case of the city railway system we are limited to ten hours, I think it is, within fifteen consecutive hours. In the case of the interurban bus system, it is regulated by the provincial government, and the maximum we are allowed to work the men is ten hours. But our men average about eight and one-half hours.

SIR JOSEPH FLAVELLE: They are unionized?

MR. HARVEY: They are, Sir Joseph, but it is not 100 per cent, by any means; perhaps half of the men belong to the union. It is not a disagreeable union arrangement -- let me put it that way. To illustrate: the president of the Toronto and District Labour Council, who introduced the man who read a brief to you yesterday afternoon, is a street car repairman at one of our car houses -- a chap named Larry O'Connell. It is not interfering with the work at all.

COMMISSIONER LEBAN: In settling your rates of pay, do you deal with the men or with the union?

MR. HARVEY: We deal with the union.

COMMISSIONER MURRAY: You have a written agreement?

MR. HARVEY: It is a matter of agreement, but we do not actually sign an agreement; we give them a minute of our meeting. But we are paying exactly the same wage now that we paid in 1921 and which was fixed in 1920. That was the peak of the cost of living in Toronto from the time prior to the war.

COMMISSIONER LOEB: The street railway services in the States were organized on the basis of the five cent fare and twenty-eight cents an hour for the motormen. When the wages went up the fares remained stationary, and they nearly all went into bankruptcy.

MR. HARVEY: Well, we have a low fare, Mr. Loree. You may say I am accustomed to telling the local people that, but it averages 6.15 cents. We know of no comparable city on the continent that has a lower fare. That has helped us to retain a very large volume of business.

COMMISSIONER LOREE: New York has a five cent fare.

MR. HARVEY: That is not comparable, you see. There are several systems in New York, but here you can ride all over the city on the one system for the one fare, with free transfer.

MR. FAIRTY: I am dealing now with interurban services.

(d) Interurban Services:

All the interurban services controlled by the Commission are owned and operated by Gray Coach Lines,

Limited. Fixed assets of Gray Coach Lines, Limited, as at December 31st, 1930, totalled \$1,993,146. The company's gross income for 1930 was \$1,322,076. Revenue passengers carried by the company's interurban motor coach services during 1930 numbered 1,267,001. Coach mileage operated during the same year was 2,499,210 miles, and the route mileage operated as at December 31st, 1930, was 543.7 miles.

In addition to the interurban services Gray Coach Lines, Limited, also handles sight-seeing and services at extra fares within the city area proper and charters coaches for various purposes.

COMMISSIONER LEMAN: Do you find there has been a heavy falling off in the sight-seeing business this year?

MR. FAIRTY: I am afraid I will have to concede that, sir. I might at this stage put before the Commission a map of the Gray Coach Lines, showing not only the Gray Coach Lines but the connecting motor coach carriers. We will deal in some detail with the various routes of the Gray Coach Lines later.

SIR JOSEPH FLAELLE: When you speak of operating on a cost basis, that is when you operate for other people?

MR. FAIRTY: And ourselves, of course. We are bound by statute to do so.

SIR JOSEPH FLAELLE: If you operate on a cost basis, where do you get any surplus?

MR. FAIRTY: May I say, Sir Joseph, that it is almost impossible to get it to an exact figure? There must be a little give and take each year. We try to operate as closely as possible to the service at cost plan, and if there is a fraction of one per cent one way or the other

this is the closest we can get to it.

SIR JOSEPH FLAVELLE: But it accumulated \$5,000,000.

MR. FAIRTY: Not of surplus, no. Those are invested reserves. I think we accept the principle followed by every public utility, that of reinvesting our reserves in the plant.

SIR JOSEPH FLAVELLE: You are not speaking of depreciation reserves?

MR. FAIRTY: Depreciation and other reserves.

SIR JOSEPH FLAVELLE: What is the nature of the other reserves?

MR. FAIRTY: There is the reserve for injuries and damages, for example, and a reserve for stabilization of fares. Mr. Patten can explain in more detail, if you wish, the various reserves.

SIR JOSEPH FLAVELLE: I was just curious to know where you got that surplus.

MR. FAIRTY: The capital reserve of the Commission is set out in our Exhibit 2 -- replacements, exchange and redemption of debentures, sinking fund, redemption of serial debentures, and operating reserves.

SIR JOSEPH FLAVELLE: In figuring your cost you include replacements and pass that on to a reserve account?

MR. FAIRTY: Oh yes. It was only a year ago that we were subjected to substantial criticism for having too large reserves. I do not hear that criticism so much just now.

COMMISSIONER LEMAN: With regard to the Gray Coach Lines, the Toronto Transportation Commission holds the stock of that limited liability company?

MR. FAIRTY: All the stock, yes.

COMMISSIONER LEMAN: And then you qualify a certain number of directors?

MR. FAIRTY: Those who are on the board hold one share apiece for qualifying purposes.

(a) Ferry Service:

The Commission also operates for the city of Toronto a passenger and freight ferry service from the mainland to the Toronto Island, which in 1931 carried 2,172,558 passengers.

III. HISTORICAL

The changes in long distance transportation over the past hundred years, which are familiar to all interested in transportation history, have been more or less paralleled by the changes in the urban, suburban and interurban traffic which the Commission has developed. During the early years of the last century in Ontario (Upper Canada) the bulk of traffic, both freight and passenger, was moved by water. With the development of highways, however, passenger traffic was diverted largely to the stage coach. By 1841 there were 6,000 miles of post roads in the province, on most of which regular stage coach routes were operated. These post routes ultimately were extended from Toronto to Montreal, the journey between the two cities ordinarily being made in four and a half days, although it is reputed that William Weller, a stage coach proprietor, once drove Lord Sydenham from Toronto to Montreal by means of successive relays of horses in 26 hours.

Commencing in 1853 the construction of steam railways gradually forced the stage coach out of existence. The extinction of the coach as a passenger carrier was not immediate, as for some decades it continued to handle a remnant of local traffic, but the last known coach survivor in the Toronto district -- a line operating from Toronto to Richmond Hill -- finally disappeared in 1896. During the intermediate period between the disappearance of the stage coach and the appearance of the motor vehicle, a considerable volume of local and interurban traffic was carried by electric lines locally known as "radials" but in Toronto district and areas contiguous thereto electric interurban lines now have been entirely supplanted by motorized services using the highways.

From this brief review it will be seen that the remarkable development of motor vehicle travel during the past twenty years, and the consequent transfer of an increasing volume of passenger traffic from the steam railway to the private motor vehicle operating on the highway has an historical parallel in the ousting of the stage coach by the steam railways.

Within the city area proper the first passenger common carrier was the horse-drawn omnibus. This was superseded in 1861 by a street railway which utilized the horse car. Horse cars in turn were replaced by electric cars in 1892. Since 1921 the electric services within the city have been supplemented by bus and coach services.

For a brief period between 1884 and 1891 horse cars were used in a suburban service on Yonge street, just north of the then city limits, but since the latter year suburban traffic has been handled largely by electric

lines, these, as in the case of the city services, having been supplemented by motor bus services during recent years.

The effect of motor vehicle competition has been most marked in the case of interurban electric services, which in the Toronto district and adjacent areas date back to 1891. Passenger services on all of the electric interurban lines formerly radiating from the city have now been discontinued, the last interurban line to operate being the Toronto Suburban Railway between Toronto and Guelph, a distance of 50 miles, which ceased operation on August 15th, 1931.

That, I may say, was a subsidiary of the C.N.R.

All of the former interurban electric railways entering Toronto have been replaced by motor coach services.

The transport facilities now provided by the Commission constitute an example of the coordination of all three types of services -- urban, suburban and interurban -- based on a natural adjustment to evolutionary transportation trends of the past decade.

IV. CITY SERVICES AND MOTOR VEHICLE COMPETITION

In common with the experience of all other passenger carriers using a fixed right of way, the operating results of the Commission's street railway system during the past ten years reflect very definitely the increasing use of the private motor car. Since 1920 passenger automobiles registered in the city of Toronto have increased from 26,798 to approximately 100,000. The trend of passenger automobile ownership in relation to population is indicated by the index, "Persons per automobile",

which dropped from 19.2 in 1920 to 6.27 in 1931. The effect on street railway traffic of increased use of private motor cars is clearly indicated by the index figure of street car rides per capita per annum. In 1922, the first complete year of operation by the Commission, this index stood at 354. By 1930 it had fallen to 312, and in 1931 it stood at 283.

COMMISSIONER LEMAN: Of course there might be a question of business conditions that would affect that.

MR. FAIRTY: We deal with that in the next sentence, sir.

Adverse economic conditions are reflected in the figures for 1930 and 1931, but the same cannot be said of the result for 1929, during which year street car rides per capita were 330. Detailed figures covering the results for the initial and concluding years of the period mentioned are set out in the following table:

Year	Revenue Passenger Carried	Population of City of Toronto	Rides per Capita per year	Passenger Automobiles Registered	Persons per Auto- mobile
1922	187,145,261	529,083	354	37,204	14.3
1929	200,205,403*	606,370	330	96,588	6.3
1930	193,861,981*	621,596	312	99,269	6.3
1931	177,590,000*	627,231	283	100,000(estimated)	6.27

*Excluding passengers carried beyond city limits.

The decline in the rides per capita of the street railway system, while not as great as in other cities of comparable size on the continent, was nevertheless a serious problem for the Commission. Various measures were adopted to meet the situation. Utilization of the most modern type

of rolling stock and modern track construction resulted in a material increase in the speed of operation. Frequency of service was increased. Considering comparable cities, Toronto has the most frequent street car service in North America.

MR. HARVEY: With regard to the expression "most frequent service," that means car miles per track mile per annum, which is a figure we get through our Association, of course. That does not mean that some cities might not have one route that is more frequent than other routes we have, but on the average, for the city system, we have more car miles per track mile per annum than any other similar system.

COMMISSIONER LEMAN: That is, you have considerably improved your efficiency.

MR. HARVEY: Yes, that is right, Mr. Leman.

COMMISSIONER LEMAN: Taking care of your intersections, regulation of traffic, and various other features of that character.

MR. HARVEY: Yes, and we have speeded up the service considerably during the past few years.

MR. FAIRTY:

Patronage of the street railway also has been encouraged by the maintenance of the lowest rate of fare in any comparable city on the continent, the average fare collected on the City System being 6.15 cents as compared with an average fare of 7.83 cents in all North American cities of more than 50,000 population. Still another factor favourable to the maintenance of traffic volume is the universal fare with free transfer privileges covering the

whole of the urban area -- 35 square miles.

The low rate of fare in effect would not be possible if the Commission had not made use of the motor bus for the handling of low density traffic.

(Page 1735 follows)

LORD ASHFIELD: Do you deal with the average speed on your system?

MR. HARVEY: It is 9.9 miles per hour.

COMMISSIONER LEMAN: Are the fares lower than in Montreal?

MR. HARVEY: Slightly. The average is lower because of our lower children's rate. Our children's rate is only ten tickets for a quarter.

COMMISSIONER LEMAN: It is eight in Montreal.

MR. HARVEY: Haven't you scholars tickets? There are no tickets available for children in Montreal. We have a scholar rate of seven tickets for a quarter.

COMMISSIONER LEMAN: There would not be very much difference?

MR. HARVEY: Only in the second decimal place.

COMMISSIONER LEMAN: How about the density of traffic?

MR. HARVEY: Montreal has a higher density than we have. Our density now runs 6.9; whereas theirs, I think, is 7.6 or 7.

MR. FAIRTY: I come now, Mr. Chairman, to section 5 of this brief, dealing with motor bus operation in the city and suburban system.

From its inception the Commission was confronted with the necessity of finding some economical transportation agency for the handling of the low density traffic originating in the relatively sparsely populated areas on the outer rim of the city. Traffic from such areas was not sufficient to warrant the construction and operation of street railway lines, yet transportation had to be provided for these areas if the development of the city was not to be throttled. The motor bus was recognized as being the ideal

iciency to meet this problem. Accordingly, the commission adopted the policy of using motor buses for feeder line service on both the city and suburban systems.

LORD ASHFIELD: When you say that you are using motor buses as feeders, does it mean that they come to points where passengers change from the bus --

MR. FAIRTY: - To the tram.

LORD ASHFIELD: Is it successful?

MR. FAIRTY: Yes, it is a universal fare transfer from red bus to street car.

LORD ASHFIELD: The people do not object to that transfer; they do not prefer to have the bus go right through?

MR. HARVEY: Of course every district would prefer a through route if you could afford to furnish it. Forty per cent of our people transfer.

MR. FAIRTY: We did experiment with the trolley bus, but we found the motor bus more satisfactory.

Operating experience with this type of equipment was so thoroughly favorable from the start that this type of service has seen rapid expansion during the past nine years. In 1922 passengers carried on the city bus system numbered 3,623,553. In 1931 the total stood at 10,287,733, an increase during the nine years of 184 per cent. Bus route miles operated on the city system increased from 4.27 miles during the initial year of the period to 17.92 miles in 1931.

Improved types of equipment have been added to the motor bus services as traffic demand warranted, and today the motor bus routes are an integral and vital part of the commission's city system services.

SIR JOSEPH FLAVELLE: That is your ten cent service with free transfer to city cars.

MR. FAIRTY: Yes. We always prefer to call it our six cent service. It is really only visitors to the city who pay the ten cent fare.

COMMISSIONER LEMAN: Do you take tickets on the bus?

MR. HARVEY: Oh yes, it is a free transfer from bus to tramway.

COMMISSIONER LEMAN: That is not done in Montreal.

MR. HARVEY: We go on the theory that we are obligated to give reasonable service at a universal fare within the whole city area; therefore we have to give a free transfer.

COMMISSIONER LOREE: Just what had you in mind when you said you had experimented with the trolley bus?

MR. FAIRTY: We had some trolley buses in 1921.

COMMISSIONER LOREE: Do you mean with wires strung within 8 feet of the curb?

MR. HARVEY: Yes, negative and positive.

COMMISSIONER LOREE: Did you find it satisfactory?

MR. HARVEY: Not at the time, but since then the design has been vastly improved.

COMMISSIONER LOREE: We operated a street railway system in the Albany district. We wanted to try out that type, but the fire department objected to the location of the wires and would not allow us to install them.

MR. HARVEY: The cruising range of the trolley bus is much greater today than it was a few years ago, and you can get your trolley line in the centre of the street.

MR. FAIRTY: Mr. Chairman, from now on would you permit Mr. Harvey to continue with the brief?

THE CHAIRMAN: Yes.

MR. HARVEY: Section VI deals with motor vehicle and interurban services:

(a) Historical --

The history of electric interurban lines radiating from Toronto offers an example of the complete effacement of the "radial" as a result of the competition of the private motor car. Motor coach services are sometimes designated as the cause of the decline in radial passenger traffic, but in the area adjacent to Toronto the motor coach was not a factor.

At the commencement of the last decade the Toronto area was served by two interurban systems, Toronto and York Radial Railways and Toronto Suburban Railway. The former was acquired in 1921 by the city of Toronto in connection with the purchase of certain light and power franchises, and the service was discontinued on March 15, 1930. The Toronto Suburban Railway discontinued passenger service on August 15, 1931. For the sake of clarity, figures quoted here are confined to those dealing with the Toronto and York system whose operating experience was typical of the general trend.

At the peak of its operation the Toronto and York system operated 97.2 miles of track, its principal line reaching Lake Simcoe on the north, and two shorter lines reaching West Hill on the east and Port Credit on the west. In 1921 the system carried 11,689,346 revenue passengers, and by 1928 revenue passengers carried had declined to 6,291,386. Efforts were made to operate the system with greatly reduced service during 1929 and the early part of

1930, but these met with so little success that on March 15th of the latter year the Interurban Electric Railways were abandoned except 11.8 miles of track which were incorporated in the suburban system operated by the Toronto Commission. The abandonment involved a capital loss to the city of Toronto of \$2,350,000.

The accompanying graph --

Copies of this graph, Mr. Chairman, will be filed with the brief.

-- shows the trend of revenue passengers on the northern division of the Toronto and York Electric Interurban Railways as compared with passenger automobile registrations in the county of York which includes the city of Toronto. The graph clearly illustrates a definite relation between increasing use of private motor cars and decreasing electric interurban passenger traffic.

(b) Substitution of Motorized Services for Electric Interurban Services --

Coincident with the decline in electric railway passenger traffic, due to the private passenger automobile, there developed a network of independently owned motor bus lines reaching beyond the zone covered by the electric lines and serving areas not touched by them. By 1927 eighteen independent motor bus lines were operating into the heart of Toronto -- moving 3,000,000 passengers per year over city streets and paralleling the commission's city and suburban services. It at once became obvious that were the commission to abandon the increasing volume of this profitable class of transportation to outside interests, there would result not only a loss in revenue but a gradual stifling of the city system.

Equally serious was the fact that all the highway entrances to the city were under the control of transportation interests over which the commission had no jurisdiction. Had such control been allowed to continue, the ultimate result would have been a recurrence of the condition which prompted the city to acquire a street railway for which it had to pay an amount largely in excess of the value of its physical assets. It is estimated that the acquisition of transportation franchise rights involved in the various purchases necessary to remedy the chaotic and intolerable conditions existing in 1921 for the travelling public cost the city of Toronto \$13,339,000 in return for which the city received no tangible assets. Had the commission delayed action directed toward the control of the new motorized services, there was no question but that history would repeat itself and that at some time in the future the commission would have to pay much larger amounts for motor coach franchises than were actually paid when such services were acquired early in their development. Furthermore, there was the immediate factor of quality of service provided by the then existing motor coach operators, a considerable proportion of whom had not sufficient financial backing to enable them to acquire modern equipment.

Thus on five main counts the commission was driven by the logic of circumstances to participation in inter-urban motor coach services -- (1) To protect its investment in the city system by preventing loss of revenue due to the operations of independent bus operators on city streets. (2) To prevent control of the city's highway entrances falling permanently into the hands of a number

of independent operators over whom the commission would have no control or jurisdiction. (3) To forestall creation of burdensome franchise rights. (4) To offset electric interurban losses resulting from increased use of the private automobile. (5) To provide stable, safe and adequate transportation facilities for the travelling public using the highway entrances to the city.

All of which indicates that the operation by the commission at the present time of its existing fleet of interurban motor coaches was not the result of a preconceived desire on the part of the commission to acquire a dominant position in a given transportation field, but was essentially the result of a reasoned adjustment to transportation trends over which it had no control.

VII. Development of Gray Coach Lines, Limited.

(a) Historical --

The first motor coach services, as distinct from the motor bus services operated in connection with the street railway system, were instituted by the commission in 1925. In that year the commission acquired the assets of the then existing company controlling the sightseeing services in the city and proceeded to develop a fully modernized service of this type. In the same year a special fare motor coach service, separate from the street railway system, was initiated serving certain high class residential districts in the city. An important factor entering into the decision to develop this new service was the fact that it enabled utilization of coach equipment not used in the sightseeing services during the winter months, winter being the period of peak demand on the special fare service.

A year later, in response to the demand of tourists for a motor coach service to the Niagara frontier, a provincial permit was secured for the operation of a motor coach route from Toronto to Niagara Falls. In May, 1927, this route was extended a distance of 21 miles into Buffalo.

COMMISSIONER LEMAN: Was it a franchise from point to point?

MR. HARVEY: It was point to point at that time. Subsequently we acquired a permit from here to Hamilton, which gave us local privileges on that section of the run. When I say "point to point," that means we can pick up a passenger anywhere between Toronto and Hamilton and drop him anywhere the other side of Hamilton; but we cannot do local business on the part running between Hamilton and Niagara Falls, nor do we wish to do so because it interferes with the through coach.

COMMISSIONER LEMAN: But there is a franchise for local business?

MR. HARVEY: In the hands of the company that operated the Hamilton Street Cailway.

By the early summer of 1927 the commission's investment in motor coach services had reached a total of approximately \$1,000,000, and it was deemed wise to segregate the coach operation from the city system. Accordingly, Gray Coach Lines, Limited, was incorporated on June 28th, 1927, with an authorized capitalization of \$1,000,000. The share capital was issued in the name of the Toronto Transportation Commission, and in return the commission transferred its investment in all the motor coach services then under its control to the new subsidiary company.

(b) Reasons for the Setting up of a Subsidiary Company--

These may be briefly stated as follows --(1) For accounting purposes. The creation of a subsidiary company definitely separated its accounts from those of the commission's other services. (2) For the segregation of operating results. (3) It permitted the commission to take advantage of the use of the name --"Gray Line"-- of distinct value for publicity purposes.

(c) Administration of Gray Coach Lines, Limited --

The board of directors of Gray Coach Lines, Limited, is composed of the three commissioners, the general manager, the comptroller, the secretary and the general counsel of the Toronto Transportation Commission, the chairman of the commission being chairman of the board and the general manager of the commission being president. The operating personnel of Gray Coach Lines, Limited, is entirely commission personnel which enables the company to operate on the basis of a low administrative overhead and further enables close coordination with the city system.

COMMISSIONER WEBSTER: Who is Gray?

MR. HARVEY: It is just a trade name. There is no man by the name of Gray connected with the title.

COMMISSIONER LEMAN: It is the colour of the coaches.

MR. HARVEY: Yes. We paint our coaches gray with a green line around them.

(d) Comparative Income Account Statement, Gray Coach Lines, Limited.

The following is a statement of the revenue and expenditures of Gray Coach Lines, Limited, for the years 1927-1930 inclusive:--

Revenue and Expenditure Account -- Gray Coach
Lines, Limited.

Revenue:	1927	1928	1929	1930
Earnings from passengers	\$567,337.53	\$815,285.21	\$1,234,936.35	\$1,285,654.53
Earnings from Launches	-----	-----	3,151.68	5,608.07
Other Income	3,656.70	24,759.64	40,345.74	30,813.91
	<hr/>	<hr/>	<hr/>	<hr/>
	\$570,994.23	\$840,044.85	\$1,278,433.67	\$1,322,076.51

Operating Expenses:

Operation, Repairs, Taxes	\$418,653.75	\$587,951.53	\$ 937,663.43	\$ 973,653.37
	<hr/>	<hr/>	<hr/>	<hr/>
	\$152,340.48	\$252,093.32	\$ 340,770.24	\$ 348,423.14

Net Income:

Appropriated as
Follows:

Interest and dividends to T.T.C. at 5%	\$ 42,098.20	\$ 50,000.00	\$ 59,941.08	\$ 61,108.47
For depreciation reserve	99,809.92	151,351.78	210,512.08	227,496.72
For doubtful debts	3,700.00	1,000.00	1,029.86	750.34
For Contingencies	3,000.00	2,000.00	5,000.00	-----
For unredeemed tickets	-----	1,400.00	-----	-----
For injuries and damages	-----	42,020.39	55,798.12	48,818.53
For surplus account	3,732.36	4,321.15	8,489.10	10,249.42
	<hr/>	<hr/>	<hr/>	<hr/>

You will observe that we are improving our earnings. We have set up quite a substantial reserve for depreciation. I think generally it is a healthy statement; it shows consistent growth.

COMMISSIONER LEMAN: Who furnishes the capital for any increase of Gray Coach lines? Would that come out of the city of Toronto itself?

MR. HARVEY: No. The commission made an investment of \$1,000,000 in June, 1927. The assets of Gray Coach Lines are now approximately \$2,000,000, the increase in assets having been brought about through the investment of reserves.

COMMISSIONER LEMAN: To meet further requirements?

MR. HARVEY: As the business is now, Mr. Leman, we shall just continue to invest our accumulated reserves for extensions and renewals.

COMMISSIONER LEMAN: But you would not call upon the city for any financing of Gray Coach Lines?

MR. HARVEY: No. The city has never put a dollar in the coach lines.

SIR JOSEPH FLAVILLE: Where are you getting your reserves?

MR. HARVEY: From the system.

COMMISSIONER LEMAN: The city put some investment into Gray Coach Lines?

MR. HARVEY: No. The city sold bonds to raise the money to acquire the Toronto Railway system and permit us to extend and rehabilitate it. We are paying off those bonds -- they are serial -- through interest and sinking fund, and any extensions over and above those which they gave us come from our reserves, not from the city of Toronto.

COMMISSIONER LEWIS: But is there not a limit beyond which you could not invest the reserves of the Toronto Transportation Commission in Gray Coach Lines?

MR. HARVEY: Only our business judgment.

COMMISSIONER LEMAN: There is no legal limit?

MR. HARVEY: No.

COMMISSIONER LEMAN: So you could invest, three, four or five million dollars in Gray Coach Lines if you cared to do so?

MR. HARVEY: We could, but it is quite apparent that that never would be the case, because we are only interested in the business radiating out of Toronto, and we now handle from 85 to 90 per cent of it.

COMMISSIONER LEMAN: But you are radiating pretty far out -- to Niagara.

MR. HARVEY: If the Falls were not there we would not be there. It is a peculiar case. It is a tourist centre and most American tourists coming into this section of Canada enter at that point.

COMMISSIONER LEMAN: How far west do you radiate?

MR. HARVEY: To Brantford, which is about 75 miles. We do operate for another company, in which we have no financial interest, from Toronto to Detroit. We are merely operators on a unit-per-mile basis.

LORD ASHFIELD: Does it pay?

MR. HARVEY: Not that particular line, but I think it will in time.

COMMISSIONER LONGE: Am I right in interpreting those figures to mean that after four years of experience on an investment of \$1,000,000 you are making about 1 per cent profit?

MR. HARVEY: If you wish to do it that way, Mr. Loree. As Mr. Fairty explained, we operate at cost. Now, you cannot operate exactly at cost. We have always shown a small surplus both in the operation of the street railway and of the Gray Coach Lines.

COMMISSIONER LOREE: You would not invite a private enterprise to go into it on that showing?

MR. HARVEY: We are paying 5 per cent on the money invested, we are setting up substantial reserves and taking care of our expansion. We have doubled our assets in four years. We are amortizing in the tangible assets.

COMMISSIONER LEMAN: There is not any profit over and above the remuneration of the capital.

SIR JOSEPH FLAVERE: The million dollar share capital of Gray Coach Lines was issued to the Toronto Transportation Commission, and upon that you pay a 5 per cent dividend?

MR. HARVEY: Yes.

THE CHAIRMAN: You exchanged those shares for buses and so on.

MR. HARVEY: Yes, that is true; that money was put into buses and so on.

LORD ASHFIELD: After paying 5 per cent on all the money invested and providing for depreciation you have a surplus.

MR. HARVEY: Yes.

LORD ASHFIELD: You make 6 per cent on the money.

MR. HARVEY: Yes.

MR. FAIRTY: But we have not tried to do anything else.

COMMISSIONER LOREE: Could you raise your fares if you were not running at cost?

MR. HARVEY: Yes, with the approval of the provincial government.

COMMISSIONER LOREE: And not lose the business?

MR. HARVEY: I do not think so because later on in this brief our people say they are riding with us by reason of the added convenience. We point that out later on.

This map shows our system. Oshawa is only 32 miles from Toronto, Uxbridge is 35.

SIR JOSEPH FLAVELLE: You run to Oshawa?

MR. HARVEY: Yes, we supply an hourly service between Toronto and Oshawa; between Toronto and Hamilton, 42 miles, we make four trips a day; out of Niagara Falls to Buffalo is another route; this route to Shelburne is between 60 and 70 miles in length.

SIR JOSEPH FLAVELLE: Do you go north to Midland?

MR. HARVEY: We go north to Midland and Penetang, and in summer we operate through to Collingwood because there is a very popular summer resort at that end of Georgian Bay. Then we operate to Barrie and Orillia; and in the summer months we extend our service north into the Muskoka District. We also operate north through Newmarket to Sutton, a service formerly operated by the Interurban Electric Railway which we control.

SIR JOSEPH FLAVELLE: You have included in your cost, of course, the amount you pay to the provincial government?

MR. HARVEY: Yes, we will come to that, Sir Joseph. But, Mr. Loree I would say it is a profitable business.

COMMISSIONER LOREE: We have been asking government officials and people who operate buses, but up-to-date we have not found any bus lines that are paying a dividend.

MR. HARVEY: You see, in our case we are publicly owned and there is absolutely no sense in our showing a fifty or sixty thousand dollar surplus; there is nothing for us to do but put the money back in the business -- either increase the assets or improve the service.

COMMISSIONER LEMAN: If these Gray Coach Lines were operated as a separate entity, would not your overhead charges and your general administration expenses be materially higher; in other words, does not the Transportation Commission absorb a good deal of the overhead that would have to be taken care of otherwise if this was an entirely separate entity?

MR. HARVEY: No, absolutely not.

COMMISSIONER LEMAN: You share the expenses of management and direction?

MR. HARVEY: Yes, Gray Coach Lines pay part of my salary.

LORD ASHFIELD: Mr. Harvey, I think we might try to clear up this point a little further. Your experience and very wide knowledge should be very helpful to us in doing so. The financial result of your operation of motor coach services is profitable?

MR. HARVEY: Yes.

LORD ASHFIELD: Is that due to the fact that all of these services which you operate are controlled by an authority which alone has the right to operate the services over these routes without competition, that you in effect

have a monopoly of these services, and therefore are able to regulate them according to the demand?

MR. HARVEY: Yes.

LORD ASHFIELD: And that in other instances in the Dominion there is still to be established some regulative authority which would bring order out of chaos and possibly have the effect, through an adjustment of services in relation to the needs of the people, of placing those services upon a different financial basis from that which exists today owing, as I have said, to the absence of a regulating and controlling authority?

MR. HARVEY: That is perfectly correct, my Lord. If our services were not regulated and fly-by-night operators or other people who do not know how to keep their accounts were permitted to come in and compete with us, we could not last. It has to be a regulated utility and a monopoly because there is insufficient business on any of these routes over which we operate for two people, and the public get the best service by reason of the fact that it is a regulated monopoly. Further -- and I will come to it later on -- I do not think anybody else could operate these services as cheaply as we do because of the diversity of our uses for motorized equipment.

COMMISSIONER LOREE: In other words, your conclusion is that the motor bus service does not prove an attractive field for private enterprise?

MR. HARVEY: Unless highly regulated.

COMMISSIONER LOREE: Of which there seems no prospect.

MR. HARVEY: I am speaking only from our own

experience.

COMMISSIONER LESTER: And a monopoly.

MR. HARVEY: As I say, I am speaking from our own experience. There may be routes between certain cities which may justify two or three operators, but in our case none of our routes will justify more than one operator.

SIR JOSEPH FLAELLS: Take the Montreal services coming to Toronto; will they pick up passengers between Oshawa and Toronto?

MR. HARVEY: No. Westbound into Toronto the Montreal -- I would sooner refer to Collacutt. He cannot pick up a passenger after he passes a point one mile east of the east city limits of Oshawa; then he must run through. Similarly, leaving Toronto eastbound he cannot drop a passenger until he is a mile east of the east limits of Oshawa.

LORD ASHFIELD: Mr. Harvey, I will not develop this question of monopoly if you are going to deal with it later on in your brief.

MR. HARVEY: In part I shall do so.

COMMISSIONER LEWIS: Is the division of overhead expenses based on the volume of business?

MR. HARVEY: No, on the direct use of plant or personal services; that is, our garages are divided between Cray Line and city services according to the amount of equipment used there.

Final returns for the year 1931 are not yet available, but the operating results for the twelve month period can be stated approximately as follows:

Gross Revenue.....	\$1,117,425.00
Operating Expenses.....	799,633.97

Net Income available for Interest,
Dividend, Depreciation, Reserve and
Surplus Account.....\$ 317,791.03

The revenue figures cited reflect both a rapidly increasing patronage and extension of the services operated during the five year period since the Company's inception. It will be noted that gross revenue rose from \$570,994 in 1927 to a peak in 1930 of \$1,322,076. The decline in revenue as between 1930 and 1931 was due primarily to general business conditions and compares very favourably with the corresponding decline reported by other transportation agencies for the same period. Operating expenses were reduced from \$973,653 in 1930 to \$799,633 in 1931. As a result, net income for 1931 was \$317,791 as compared with \$348,423 in 1930 -- a reduction of 8.8 per cent.

Examination of the distribution of net income for the several years reveals the sound financial practice followed by the company. Interest and dividends include an annual dividend of 5 per cent on the capital stock held by the Transportation Commission. Appropriations for depreciation provide for a writing off of franchise values over a 15 year period, as well as for replacement of operating equipment. Inasmuch as it is reasonable to assume an appreciation in franchise values as the density in population and traffic increases, their writing down as indicated reflects an extremely conservative policy. Physical depreciation is assessed at 6.45 cents per coach mile per year. The corresponding figure for some fifty of the largest motor coach operating companies reporting to the American Electric Railway Association, with one

exception, ranges from 2.5 cents to 5 cents. The coach life of new vehicles is estimated at not more than 260,000 miles.

COMMISSIONER LEMAN: Is not that very high?

MR. HARVEY: We have over that now, sir.

COMMISSIONER LEMAN: From actual experience?

MR. HARVEY: Yes, sir.

The fact that the company's services are operated at cost is indicated by the extent of the operating surpluses for the several years, the amount in no case having exceeded \$10,249.

COMMISSIONER LOREE: Do you figure the life of a coach at 260,000 miles?

MR. HARVEY: Yes.

COMMISSIONER LOREE: I was comparing it with our locomotive experience. We have engines running 200,000 miles between shoppings -- overhaulings.

MR. HARVEY: Our coach overhaul is 30,000 miles as a general average; our street car average is 60,000 miles.

COMMISSIONER LOREE: Please understand, I have nothing against coach operation. But I am wondering whether we are not deluding ourselves with regard to it.

MR. HARVEY: Well, ours has been successful, Mr. Loree.

COMMISSIONER LOREE: You have been earning 5 per cent on your investment.

MR. HARVEY: We will have earned more than that.

COMMISSIONER LOREE: In 1931?

MR. HARVEY: I think so. Mr. Patten, would it not be 5 per cent plus surplus?

MR. H. C. PATTER(Comptroller, Toronto Transportation Commission): We will have earned 6 per cent, Mr. Loree.

COMMISSIONER LOREE: In 1930 you had a surplus of \$348,000; now it has dropped to \$317,000 -- a difference of \$31,000; you had a surplus of \$10,000 the year before: So you must have a deficit this year.

MR. PATTEN: Provided that the same amount of reserves is required this year; which is not the case.

COMMISSIONER LOREE: Of course, if you are going to adjust those back and forth you can make your figures show just what you want them to show.

MR. PATTEN: Our experience in regard to injuries and damages has proven that we have set aside a great deal more than is required to take care of any accident liabilities to the public.

COMMISSIONER LEMAN: Would you vary that according to whether you have a prosperous year or not? Would you give yourself a little more leeway?

MR. HARVEY: Yes, in the good years we just build it up. I guess we do it in every business.

SIR JOSEPH FLAVILLE: No. If depreciation is a proper charge it is as much a charge as wages, and should be put there; you should show the actual condition and not adjust these necessary items to the accommodation of earnings.

MR. FAIRTY: I can speak, Sir Joseph, about the reserve for injuries and damages. It was put at too high a figure at the outset.

SIR JOSEPH FLAVILLE: Of course, if you revise your figure because you overestimated it, that is all right.

COMMISSIONER LOREE: Your experience in the three years indicates that you started it at \$42,000, raised it to \$55,000, then lowered it to \$48,000. What did you do in 1931?

MR. PATTEN: About \$30,000 was all that we required. You see, Mr. Loree, on the balance sheet there is an operating reserve of \$72,000 existing at the end of 1930, while it is about \$80,000 at the end of 1931. This would be ample for almost any except a major catastrophe, for which we carry excess insurance; for any accident over \$25,000 we carry a special policy.

SIR JOSEPH FLAVILLE: The insurance company takes the risk?

MR. PATTEN: Yes, Sir Joseph, from \$25,000 to \$75,000.

COMMISSIONER LEHAN: You are insured for damages to any one person and for any one accident?

MR. HARVEY: Yes, \$25,000 in the one case and \$75,000 in the other. Roughly it costs six tenths of one per cent of our interurban service revenue.

COMMISSIONER LEHAN: Do you insure for physical damages?

MR. HARVEY: No.

COMMISSIONER LEHAN: You carry that yourself?

MR. HARVEY: Yes.

SIR JOSEPH FLAVILLE: How does your fare between here and the Falls compare with the railway fare?

MR. HARVEY: I do not know the railway fare.

SIR JOSEPH FLAVILLE: Three cents a mile.

MR. HARVEY: We have no quarrel with the railways, and we have not been guided by the railway fare. The single fare to Buffalo is 2.8 cents a mile; the single fare over our whole system averages 2.758 cents; and the return fare average is 2.464 cents.

SIR JOSEPH FLAELLE: That is, the return establishes for each way a rate of 2.464.

MR. HARVEY: Yes; the return is equivalent to two single fares, less 10 per cent.

SIR JOSEPH FLAELLE: Your fares will approximate the railway fares?

MR. HARVEY: I think so; that is my impression, Sir Joseph. Then we have a 10-ride book -- that is a commuter service -- which averages 2.25 cents per mile, and a 25-ride book which averages 1.5 cents. But the books are not sold very much, very few people use them.

COMMISSIONER LEHAN: You mean to say they are not in demand, or you do not encourage their sale?

MR. HARVEY: We encourage their sale. They are used a little between Toronto and Oakville, about 20 miles west of Toronto, and to a small extent up north.

(e) Balance Sheet, Gray Coach Lines, Limited --

The following is the balance sheet of Gray Coach Lines, Limited, as at December 31st, 1930:--

Gray Coach Lines, Limited
Balance Sheet ----- December 31, 1920

Assets.

Fixed Assets:

Motor Coaches, Launches and Equipment.....	\$1,546,365.18
Franchise Rights.....	446,781.00
	<hr/>
	\$1,993,146.18

Current Assets:

Accounts Receivable, Less Reserve for Estimated Losses.....	8,569.79
Advances to Agents and Departments	2,047.99
Cash on hand and in Bank	74,633.86
	<hr/>
	85,251.64

Prepaid Charges:

Prepaid Insurance Premiums, Taxes and Licenses.....	7,900.96
	<hr/>
	\$2,086,298.78

Liabilities.

Capital Stock:

Authorized and Issued.....	\$1,000,000.00
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Current Liabilities:

Advance of Funds from the Toronto Transportation Commission.....	100,000.00
Accounts Payable to the Toronto Trans- portation Commission	57,250.20
Dividend of 5% and Interest Payable to the Toronto Transportation Commission	61,108.47
Other Accounts Payable	18,459.20
	<hr/>
	236,817.87

Capital Reserves:

For Replacements.....	734,970.49
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Operating Reserves:

For Tickets in hands of the Public but not yet used.....	5,097.63
For Injuries and damages.....	72,292.91
For Contingencies.....	10,000.00
	<hr/>
	87,390.54

Accumulated Surplus.....

	27,119.88
	<hr/>
	\$2,086,298.78

Mr. HARVEY: The brief continues:

It will be observed from the balance sheet that the company has no funded debt and that its fixed assets as of December 31st, 1930, totalled \$1,993,146 as compared with a capital stock liability of \$1,000,000. During the five year period ending December 31st, 1931, extension of services was financed entirely from company reserves -- the \$100,000 advance from commission funds under current liabilities having been retired during 1931.

(f) Growth of Traffic Handled by Gray Coach Lines, Limited--

The following table indicates the growth in the volume of the company's interurban passenger traffic during the five year period of its operation:--

<u>Year</u>	<u>Interurban passengers Carried.</u>
1927	281,602
1928	567,193
1929	1,057,250
1930	1,267,001
1931	1,180,418

The company now operates a year-round service over about 600 miles of route.

(g) System of Accounting --

The classification of accounts used by Gray Coach Lines, Limited, is the standard classification adopted for bus operating companies by the American Electric Railway Association.

VIII.--Change in Character of Motorized Passenger Services Radiating from Toronto since Advent of Gray Coach Lines, Limited;

Previous to the advent of Gray Coach Lines, Limited, motor bus operation radiating from Toronto was largely in

the hands of irresponsible operators, many of whom were not financially stable. Some, in fact, were forced into liquidation because of damage actions. Few of the operators had sufficient resources to provide up-to-date equipment and many of the routes operated were without spare vehicles. All of the operators were without the garage facilities necessary to properly maintain their equipment. Wages paid were low, drivers worked long hours -- a factor seriously militating against the safety of operation -- and schedules were not dependable.

Present conditions are in marked contrast to those which formerly prevailed. Operation by a responsible authority with sound financial backing has enabled the removal of all the objectionable features mentioned. Equipment has been fully modernized and service is maintained on a high efficiency basis. The improvement in the conditions affecting labour has been particularly marked. All interurban coach operators are paid at the rate of 65 cents an hour and the typical yearly earnings of such operators are \$1,774.00 with an average working day of slightly more than eight hours and a six-day week. Spare men are guaranteed a minimum of six hours work a day, but it has been found that these spare men usually have an average wage comparable to that of the regular men.

The net effect of improvement in equipment, service and safety of operation has resulted in a marked increase in public confidence, which in turn is reflected in the increased patronage of the travelling public already recorded.

IX. Type of Service Rendered by Gray Coach Lines, Limited:

(a) A Pioneer Service in a New Traffic Field --

Operators of motor vehicle transportation are unanimous that the motor coach has developed most of the traffic, which it now handles. It provides a flexible point to point passenger service which is able to pick up and discharge passengers not only at the centres of population but at individual farm gates and crossroads. This flexibility of service is of enormous advantage to the rural travelling public, and is one of the dominant factors underlying the growth of motor coach operation during the past decade. In contrast, steam railway operation is restricted by its very nature to providing travel facilities between considerable centres of population. It should be noted further that the motor coach also has made it possible to give a passenger service to communities not reached by the steam railways.

(b) Percentage of Through and Local Traffic on Gray Coach Lines Services --

Contrary to the opinions expressed by some critics of motor coach operation, by far the larger percentage of traffic handled on typical Gray Coach Lines routes is local traffic. An analytical summary of the traffic moving over the Toronto-Hamilton and Toronto-Brantford runs during typical summer and winter periods indicates that only 29.4 per cent of the coach traffic moving over these routes is through traffic and 70.6 local traffic. In other words, 70.6 per cent of the passengers using these routes are either picked up or discharged at points between the termini.

X. Economic Efficiency of Gray Coach Lines Operation:

(a) Service at cost being a cardinal principle of all the commission's transportation activities, all Gray Coach

Lines services are operated on a non-profit basis. It should be emphasized, however, that the company has maintained a sound financial position by the provision of adequate reserves for depreciation and replacement, which costs are assessed against the users of the company's services. The company therefore operates on a fully self-sustaining basis.

(b) Advantages Derived from Coordination of Urban, Suburban and Interurban Motor Vehicle Services under a Single Authority --

One of the primary economies made possible by the unified operation of the interurban motor coach services with those of the city and suburban system is derived from diversified use of equipment which is mutually beneficial to all three services. Operating experience covering a period of years has shown that peak traffic demand on the city coach routes occurs during the winter months, whereas peak demand on the interurban coach routes occurs during the summer months. Similarly, the five week days carry the heaviest traffic on the city coach services and the lightest traffic on the interurban services. Conversely, during the week-end period, the traffic demand on the interurban routes is extremely heavy and relatively light on the city services.

COMMISSIONER LEMAN: You lend some of your coaches in the winter for bus service in the city?

MR. HARVEY: Yes, they move backwards and forwards between the city service and the Gray Coach Lines service. Under coordinated control these divergences of peak demand enable reciprocal transfers of operating equipment from one service to the other in accordance with the fluctuations in traffic offering. The result is seen in low capital and

operating costs benefiting both transportation services and the public.

It is scarcely necessary to point out that operation of the interurban motor coach services by steam railways would not permit advantage being taken of this diversity. Consequently, capital and operating costs would be increased not only on the interurban services but on the city services as well if operated by other than the Toronto Commission.

(c) Reduction in Overhead Due to Unified Control --

Mention already has been made of the reduced administrative overhead made possible by the operation of Gray Coach Lines, Limited, by commission personnel. The same principle applies in the maintenance of equipment. During the four years ending 1930, for instance, the city system, in addition to receiving \$213,147 in direct interest and dividends from Gray Coach Lines, Limited, also received approximately \$200,000 in the form of rentals and overhead charges for the use of its plant and facilities. Without the coordination of the two types of services a substantial portion of this overhead would have been borne by the city system car riders. Conversely, the motor coach users benefited directly from the lower maintenance cost made possible by the greater use of facilities resulting from unified operation.

(d) Economic Benefits of Coordination as Indicated in the General Operating Returns of Gray Coach Lines, Limited.

The general economic efficiency of the motor coach services provided by Gray Coach Lines, Limited, is further illustrated by the fact that the company has maintained an

adequate and fully modern transportation service while at the same time recording the marked financial progress indicated in the financial statement incorporated in this statement.

11
XI. Dependable Schedule Service Under all Weather Conditions:

All runs on the regular routes served by Gray Coach Lines, Limited, are operated on a published scheduled basis, and regularity of service has been fully maintained both winter and summer. Operating experience under winter conditions in the area served by the company has demonstrated beyond all question the efficiency of the motor coach as a year-round transportation agency. A striking proof of this assertion is offered in the operating result for the three-year period concluding 1931 on the services to three representative points -- Niagara Falls, Hamilton and Oshawa. During the period and on the routes indicated the company's coaches made 80,780 trips and only two scheduled runs were cancelled on account of weather conditions or any other cause.

XII. Economical use of the Highways:

A further point bearing on the economic efficiency of the motor coach to which the commission desires to draw attention is the relative economy of the coach's use of highway space as compared with that of the private passenger automobile. An analysis of the respective loads carried by motor coaches and the private passenger motor car over the several highway entrances to the city of Toronto during typical traffic periods of the years 1926 to 1929 indicated

an average coach load of 17 passengers and an average passenger automobile load of 2.45 passengers. As the gross area occupied by the average motor coach is 330 square feet, and that of the average passenger motor vehicle is 140 square feet, a coach passenger therefore utilizes a gross highway area of 19.4 square feet, --

That is based on the average load.

--whereas a private automobile passenger utilizes 57.5 square feet --

That again is based on the average load.

--The motor coach therefore is three times as efficient in the use of highway space as the private passenger automobile.

XIII.--Regulation of Motor Coach Services:

The commission is desirous of emphasizing the fact that the motor coach as at present regulated in the province of Ontario is a responsible transportation agency. Moreover, in the case of Gray Coach Lines, Limited, government regulations are supplemented by company regulations which ensure maximum efficiency of operation.

(a) Governmental Regulations --

All motor coach operation in Ontario is subject to specific regulations by direct governmental enactment. These regulations cover rates of fare, weight of vehicles size of vehicle, speed of vehicle, hours of work of drivers, time-tables and financial responsibility of operators.

The Ontario Public Vehicle Act requires that a tariff of tolls be filed with and approved by the Department of Highways before such tariff can become effective. Timetables are subject to governmental approval under a "Regulation respecting the licensing of public commercial



vehicles", of the Department of Highways, which requires owners or operators to file with the department a schedule showing particulars regarding the picking up and discharging of passengers and the arrival and departure of vehicles.

The maximum gross weight for coaches is limited under the Ontario Highway Traffic Act to 20,000 pounds and the same statute requires that the maximum length of coaches be limited to 33 feet and the maximum width to 96 inches. Maximum speeds of operation are also limited under the Highway Traffic Act to 20 miles per hour in towns and villages and 35 miles per hour on the open highway. Hours of labour are restricted by the Ontario Public Vehicle Act which requires that drivers shall not operate a coach more than 10 hours in any 24 hour period --

Although ours is slightly over 8 hours.

(b) Company Regulation --

All motor coach operators when first employed by Gray Coach Lines, Limited, undergo a complete physical examination similar to that which is required for insurance purposes. All men are carefully examined for vision, and a rule providing for a periodical re-examination of eyesight is strictly enforced. The company also maintains a training school for coach operators which provides instruction as to the mechanical features of the motor vehicle and supervised instruction in the operation of coaches under actual service conditions. A disciplinary control of the labour force is similar to that in effect on the steam railways.

Physical equipment is inspected daily and a thorough overhaul of all coaches is made periodically on a stipulated mileage basis.

These regulations, both company and governmental, ensure safe and dependable service for the travelling public using the motor coaches, at the same time protecting other users of the highways.

XLV. Safety of Motor Coach Operation:

The effect of regulations outlined above on the safety of motor coach transportation is indicated by the fact that since the inception of Gray Line coach services they have carried four and one-half million interurban passengers without a single passenger fatality. Gray Coach Lines, Limited, is part of an organization which in the past 10 years has carried more than three billion passengers and not one has met with a fatal accident.

SIR JOHN EWELL: I suppose there have been fatal accidents through motors coming in collision with your coaches?

MR. HARVEY: In which we have been involved, yes.

XV-- Attitude of the Public Towards Motor Coach Services:

Evidence of the popularity of motor coach services is contained in the voluntary response to a questionnaire distributed on a typical week day in January, 1932, to all passengers travelling over the interurban routes of Gray Coach Lines, Limited. Analysis of the replies made by 1,286 passengers who were asked to state reasons for using motor coach transportation rather than railway transportation shows that 79 per cent attributed their preference for the motor coach to convenience of service rather than comparative cost. 74 per cent reported that the motor coach offered more direct transportation to their respective destinations than the steam railway and 75 per

uent stated that the time schedules of the motor coach services were more satisfactory than those of the steam lines.

XVI.--Relation of the Motor Coach Services to Steam Railroad Services:

(a) Private Passenger Automobiles -- The Principal Competitor of the Motor Coach --

In any consideration of the general question of motor vehicle operation it should be borne in mind that the private passenger automobile is the principal competitor of the motor coach, as it is of the passenger services provided by the steam railways. The majority of motor coach users are drawn from that section of the travelling public which would use the highway as a matter of convenience were no motor coach service available. Lacking a coach service such users would still use the highway either by travelling in their own passenger automobiles, or in the automobiles of their friends, or in passenger motor cars operated on a cooperative basis. In this connection also it should be noted that a constantly increasing proportion of private motor vehicles is being used for purely commercial purposes, a factor which lends a commercial aspect to the competition between motor coach services and privately owned automobiles.

COMMISSIONER WEBSTER: Does that mean jitney competition?

MR. HARVEY: No. The cars you see on the highways today, say east of Toronto, are used in the main by people transacting business, commercial travellers, and so on. It is not a jitney service.

COMMISSIONER WEBSTER: Jitney service is not allowed?

Mr. HARVEY: No, it is not allowed.

(b) Motor Coach Services a Negligible Factor in the Decline
of Railway Passenger Traffic --

While it is generally recognised that the loss in passenger traffic experienced by the steam railways during the past decade is attributable largely to the competition of the motor vehicle, the commission wishes to stress the fact that the proportion of this loss due to the operation of motor coach services is relatively negligible. Corroboration of this assertion is evident from an examination of the very complete traffic census made by the Ontario Department of Highways during the past three years which indicates the volume of traffic moving over all the main highways of the province during various periods of the year. Analysis of the tabulated figures indicates that in no case did motor bus and coach traffic exceed 1.65 per cent of the total motor vehicle traffic, this being the maximum percentage which is reached during the winter months, while during the period of summer operation bus and coach traffic constituted not more than 0.67 per cent of the whole. The detailed figures are as follows:

These are detailed figures which were given to us by the Highway Department just a few days ago.

Summary of Ontario Department of
Public Highway Traffic Census for the Years
1929, 1930 and
1931.

Year	Ave. No of Motor Vehicles Using the High- way Daily	Ave. N. of Motor Coaches and Buses Using Highway Daily	Per cent of Buses and Motor Coaches to Total Motor Vehicles.
Summer Count -- Average for 29 Highways			
1929	48445	300	0.62
1930	46610	294	0.63
1931	51759	345	0.67
Autumn Count -- Average for 31 highways			
1929	35048	276	0.79
1930	39318	253	0.65
1931	48147	288	0.60
Winter Count -- Average for 19 Highways			
1930	9601	159	1.65
1931	13859	198	1.43

(c) Motor Coach -- The Most Efficient Transportation Agency for the Handling of Low Density Traffic:

A good deal of misapprehension exists as to the nature of the relation between steam railroad passenger services and motor coach services. Steam railroads are the most efficient agency for the handling of mass transport over both long and short distances. Motor coach services, on the other hand, are the most efficient agency for the handling of low density traffic. In adjusting its services to the various types of traffic demand, the commission has always recognised these two principles. In the handling of

commuter traffic to points in the vicinity of Toronto, for instance, the commission has made no attempt to compete with the steam railways on the basis of the relative fares charged by the two agencies.

In the handling of passenger traffic moving over long distances, the motor coach services, even did they so desire, are unable to compete with the steam railways in the matter of speed.

(d) The Place of the Motor Coach in the General Transportation Scheme --

The commission desires to emphasize the fact that the motor coach services are part of a secondary land transport system based on the development of the motor vehicle, which during the past decade has been of enormous advantage to the community. As in the past, the steam railway occupies the place of primary importance in the general transportation scheme of the country but the mobility and flexibility of the motor vehicle as a transportation agency has a far-reaching value in supplementing the fixed right-of-way services provided by the railway. Both systems have their place in the life of the modern community. Neither should be placed under a handicap for the benefit of the other. Any attempt to throttle development of the secondary system in the field where it is more efficient and more economical than the primary system would adversely affect the development of the country. It is apparent that the future of the steam railways is dependent on this continued progressive development. Efficient transportation of all types is of vital importance, not only to the economic life of the country but to its social life as well.

A major innovation in any field always meets the cry of "unfair competition", but in reality this cry is not a protest against unfairness but rather a protest against newness. Such criticism is no justification for the throttling by taxation or otherwise of any innovation which justifies itself economically. Efforts to halt the march of progress are futile and in the final analysis will react against those who refuse to adopt, or recognize the significance of, a new development offering increased efficiency.

COMMISSIONER LOREE: I should be inclined to agree thoroughly with you as to the relatively small amount of diversion of passenger business from the steam roads by the motor coach. The decrease, so far as I can judge it from our experience, is due to the privately owned car. I have never felt disturbed about the motor coach competition. My own feeling is, as a result of such investigations as we are able to make, that about two thirds of the motor coach mileage now in effect throughout the states will disappear within the next five or ten years as unprofitable. It is in the hands of people who bought their coaches on time payments--will not be able to complete their payments -- will not be able to buy new coaches when the old ones are worn out -- do not keep any books -- do not protect themselves by depreciation. I think they are bound to pass out.

But looking at the matter more broadly, it is astonishing what a large percentage of accidents at grade crossings are due to privately owned motors running against moving trains. Last year in the United States automobiles accounted for the death of 30,000 people. That is a good deal more

than the monthly average loss of the American army during the world war. Putting it another way, last year it was more dangerous for a man to ride on the highways in a motor car than it would have been for him to face the German fire during the war. How long are the public going to put up with that, and what is going to be the future of the whole industry?

MR. HARVEY: I think, Mr. Loree, one move will be the more careful examination of people before licenses to drive are issued to them, even to the drivers of private motor cars. I think a fair answer to your remarks would be this: If the driving efficiency of the owners of private automobiles was at all comparable with that of motor coach drivers because of the training and discipline under which the latter work, why, highway accidents would be cut in two. It is the type of people driving that accounts for the accidents.

COMMISSIONER LOREE: If we had an accident on the railroad and killed fifteen people the papers would talk about it for a week. We are killing nearly 100 people a day in the states on the highways, but the papers are silent about it.

MR. HARVEY: I always feel, Mr. Loree, that when there is a bus accident down in Texas it is headlined even in our papers in Toronto. I guess we are both in the same box there.

COMMISSIONER LOREE: I am not distressed, I am puzzled about the thing. You were at the public meeting yesterday?

MR. HARVEY: Yes, and I heard you ask that question of one of the speakers.

COMMISSIONER LOREE: I was impressed by another thing. The whole impression made on my mind by that presentation was that these automobile manufacturers having run out of their market want some other avenue for their output, and are trying to induce the railroads to buy a lot of coaches and go into the business.

MR. HARVEY: I don't know about that. I don't think if the railways were in the business there would be many more coaches on the highways in any case -- not in this province at any rate.

COMMISSIONER LOREE: So far I have not seen anything that would influence me to advise participation in the work. We have had a great many bus lines offered to us from time to time, but I look upon them as losing ventures.

MR. HARVEY: Unless it was a branch line and the question of abandonment came up, I do not see very much in the business.

MR. FAIRTY: Is not this the situation, Mr. Loree? Here most of the operations are purely provincial; ours are almost wholly so. A great deal of the traffic in the United States is interstate in its scope and up to the present has not been regulated by Act of Congress. The Interstate Commerce Commission, I understand, are going to make a recommendation that there shall be adequate regulation and control and taxation of interstate highway business; at present there is no such regulation and control.

COMMISSIONER LOREE: Take the situation in Newark, New Jersey. The public service company there own a good deal of electric lighting plant, they own street railways in Newark and vicinity, and they own a lot of buses. I do not

understand that they are making any money out of the street railway or out of the buses.

MR. HARVEY: I doubt whether they do. There has been a chaotic condition down there for years.

SIR JOSEPH FLAVELLE: Do you mean their administration is not effective?

MR. HARVEY: I cannot pass on that, Sir Joseph.

LEO D. ASHFIELD: It is a question of regulation.

COMMISSIONER LOREE: Mr. McCarter is a very able man, but with the political pressure brought to bear he has very little freedom of action.

MR. HARVEY: That is true.

COMMISSIONER LOREE: To my mind that is the explanation of the success of this operation -- the management are allowed a free hand to manage.

MR. HARVEY: We are absolutely clear of politics here, Mr. Loree, I can assure you of that.

It is unnecessary for me to quote the opinion of Mr. J. F. Deasy, Vice-President of the Pennsylvania Railroad, on motor bus competition.

THE CHAIRMAN: No.

SIR JOSEPH FLAVELLE: Have you anything further?

MR. HARVEY: There is something further here, but I do not think it is necessary that I should quote it -- the opinion of Mr. Ralph Budd, President of the Great Northern Railroad, on bus operation.

COMMISSIONER LOREE: Deasy and Budd have gone into the automobile coach business and have to justify themselves.

MR. HARVEY:

(f) Natural Expansion of Urban and Suburban Services:

The urban and suburban services of transportation undertakings of the four other largest cities in Canada, namely, Montreal, Winnipeg, Vancouver and Hamilton, have been expanded to provide interurban motor coach services, analogous to those provided by Gray Coach Lines, Limited.

SIR JOSEPH FLAVELLE: Under the same administrative conditions?

MR. HARVEY: Under the same general scheme of administration.

COMMISSIONER LEMAN: You handle no express or package in connection with your passenger services?

MR. HARVEY: We handle a very small amount of express, totalling only two or three thousand dollars a year, for the convenience of certain people. For instance, there is a florist over in Winona, in the Niagara district, who sends flowers with us occasionally. So that you might say the answer would be in the negative.

COMMISSIONER LEMAN: Are not a great many of the reasons brought forth in this brief as regards comparative services applicable to express service?

MR. HARVEY: That is the trucking --

COMMISSIONER LEMAN: No, that would be straight freight; I am thinking more of express service in connection with the operation of your coach lines.

MR. HARVEY: I would imagine to some extent many of the reasons would apply.

COMMISSIONER LEMAN: Are you foreseeing any development along those lines?

MR. HARVEY: We have no intention of going into the express business, because it would interfere, I should think, with the attractiveness of our service to passengers -- that is, for the vehicle to stop and the driver to get out and carry parcels and come back. We are just interested in the passenger business.

COMMISSIONER LEMAN: So you do not contemplate any extension of your activities in the line of express service?

MR. HARVEY: No sir. Our revenue from express is less than one per cent of our total revenue.

COMMISSIONER LEMAN: What about the express between termini?

MR. HARVEY: Express passenger service -- we have not developed that yet; at least none of the routes would warrant both a local and an express service. We look forward to the day when there will be express service between say Toronto and Oakville, which is on the way to Hamilton, a total distance of 42 miles. We shall probably some day have a halfway service out to Oakville because of the growing population.

COMMISSIONER LEMAN: And then your argument in this brief to the effect that your schedules are a little slower than the steam railway service might disappear.

MR. HARVEY: Oh, we could never put on an express service, sir, between say Toronto and Hamilton, 42 miles, that would compare with the steam road time -- never in the world.

Starting at the bottom of page 26 and continuing on page 27 and most of page 28, the brief recites the circumstances of an application by Toronto and a number of muni-

cipalities around Toronto, to the Dominion Railway Board in 1908 for commuter services into Toronto. A hearing was held, and the railways advanced the following reasons for not providing these commutation services -- this is the top of page 28:

THAT commutation rates were first established out of Montreal many years ago when the street car system was a very indifferent one.

THAT Brampton, Whitby and Oshawa are business centres of some importance and not in any sense suburban resorts of Toronto.

THAT the establishment of such rates would not benefit the citizens of Toronto who do not reside in the towns named, and such rates, if established, would result in the residents of these towns going to Toronto to make their purchases, and would be, therefore, detrimental to the local business interests of such towns.

THAT railway companies have under the Act the absolute right to apply commutation rates in their discretion.

THAT electric lines are being built in all directions from the city of Toronto, and their development will continue, affording a suburban service with which the steam railways cannot compete.

Then the brief continues:

The Railways asked that the action be dismissed, and under Order No. 10788, dated June 8th, 1919, the Board so ordered.

During the period which has intervened since the dismissal of this application, commuter rates on the rail lines radiating from Toronto have been established to only a limited number of points, and the existing railway

commuter service in the Toronto area cannot be said to be meeting general endorsement by those to be served. Had not the motor coach stepped into the field formerly occupied by the electric interurbans many districts in the areas around Toronto would be without any commuter service whatsoever.

(b) Unwillingness of the Steam Railways to Provide Motor Coach Service:

As already indicated, criticism by the steam railways of motor coach services is further weakened by the fact that the railways were unwilling to enter the motor coach field, even though invited to do so by provincial authorities. Confirmation of this attitude was contained in a public address delivered in Toronto only a few weeks ago by the Hon. Leopold Macaulay, Minister of Highways for the province. On this occasion Mr. Macaulay stated that the province, when embarking on the extended programme of highway construction carried out during the recent years, invited the railways to provide transportation for the public over the provincial highways. This invitation, he said, had been declined.

I may say at this point, sir, -- I could not put it in the brief, but it can go into your records -- that prior to 1928 I did experience some difficulty with the provincial government when it came to the question of transferring franchises to our Gray Coach Lines, Limited. In 1928 I had occasion to see the then Prime Minister of the province, Hon. G. Howard Ferguson, now High Commissioner for Canada in London, in the absence of Mr. Henry, who was then the Minister of Highways, and to talk to him about our work.

He admitted quite frankly that we had had difficulty with the Government, and he told me why. He said that when they commenced this plan of an enlarged highway system in the province he had approached both railways on two or three occasions and asked them if they would take over the public transportation services on the provincial highways, but they had both declined to do so. As Mr. Ferguson put it, it was his duty then to find the next most responsible transportation people and to transfer the permits to them. And that is why, he said, from then on it would be easier for us to secure permits to operate on the highways -- because the steam roads had turned them down. That was Mr. Ferguson.

COMMISSIONER LOREE: Speaking from your experience, do you think the steam roads made a mistake, or were they well advised?

MR. HARVEY: I think they should have gone into it. I have chatted informally with the steam roads in this district, and I think they should have gone into it at the time. The attitude of at least one of the roads towards us was that somebody must be in it and we were perhaps preferable to other interests because we were not a fly by night concern or a cut-rate operator. Their point of view was: "You will charge substantial rates, and we must admit somebody is going to operate motor coaches around Toronto." The Canadian Pacific have never questioned our operation at all; in fact we can work very closely with C.P.

XVIII. TAXATION OF MOTOR COACH SERVICES

- (a) Basis on which Motor Coach Highway Taxes are Paid:
All motor coaches operating in the province of

Ontario pay direct highway taxes of three types. In 1931 these were:

- (1) A seat tax of one-twentieth of a cent per seat mile, regardless of passengers carried;
- (2) A tax on gasoline of five cents per gallon;
- (3) License fees the amount of which vary in accordance with the weight of vehicle, and which, in the case of Gray Coach Lines, Limited, average \$87.98 per coach per year. (For 1932 license fees have been increased 30 per cent, or approximately to \$114 per coach, per year.)

Of course for years past the provincial government has studied the question of taxes for the various classes of users of the highways. We have been a party to those studies and we think the taxation is quite equitable, except that we believe we are just a little bit overtaxed, and we so tell them.

- (b) Amount of Highway Taxes Paid by Gray Coach Lines, Limited:

During the year 1931 the aggregate of highway taxes paid by only the interurban services of Gray Coach Lines, Limited, totalled \$50,562. The distribution of this amount was as follows:

<u>Taxes</u>	
Seat Tax	\$22,682.00
Licenses	6,950.00
Gasoline Tax	<u>20,930.00</u>
Total Highway Taxes	\$50,562.00

The total highway tax per coach for the year was \$640.02, distributed as follows:

Taxes per Vehicle

Seat Tax	\$ 237.11
Licenses	87.98
Gasoline Tax	<u>264.93</u>
Total	\$ 640.02

The total highway tax per interurban coach mile was 1.94 cents, distributed as follows:

Taxes per Coach Mile

Seat Tax	.37
Licenses	.27
Gasoline Tax	<u>.80</u>
Total	1.94

The tax per mile of highway traversed totalled \$143.38, distributed among the three items as follows:

Taxes per Mile of Highway Traversed

Seat Tax	\$ 63.93
Licenses	19.80
Gasoline Tax	<u>59.65</u>
	\$ 143.38

The total direct highway taxes paid by the interurban lines of the company for the year 1931, expressed in percentage of their gross revenue, was 6.08 per cent. Our fleet averages only about 30,000 miles per vehicle per year. Most of the operators in the province will come nearer to 40,000 or 45,000 miles per year. If we operated the average mileage per year, our taxes would be over \$800. But because of our diversity and because we have equipment which we hold back for peak days -- more than is required normally -- that cuts our unit per vehicle down.

(c) Comparison of Taxes Paid:

The Commission desires to stress the fact that motor coaches are the most heavily taxes users of the highways in Ontario. During the fiscal year ending October 31st, 1930, revenue from licenses, gasoline tax and seat tax collected in Ontario, as indicated in a statement of the Department of Highways, totalled \$E5,343,696. The average number of registered motor vehicles for the calendar years 1929 and 1930 was 547,700. With these figures as the basis of calculation it is evident that the average tax for motor vehicles using the highways was \$28.01. As already stated motor coaches operated by Gray Coach Lines, Limited, pay an annual tax of \$640.02 per vehicle in interurban service. In other words, on the existing basis of taxation Gray Coach Lines interurban services pay highway taxes 23 times greater than the average paid by all types of motor vehicles using the highway. The Gray Coach Lines annual tax per vehicle is lower than the corresponding average for other coaches operating in Ontario because of a relatively low annual mileage per vehicle in Gray Coach Lines interurban services, resulting from the diversified use of the company's equipment noted in a preceding section of this statement.

Comparison of the total taxes paid by Gray Coach Lines, Limited, with those paid by the two large Canadian railways, expressed in terms of percentage of property investment and percentage of operating revenue, indicates that the motor coach service also pays a much larger tax than do the steam railways. Taking the year 1929 as an index, on a basis of percentage of gross revenue, the

Canadian Pacific Railway paid one-half and the Canadian National Railways one-quarter of the tax paid by Gray Coach Lines, Limited. Similarly, on a basis of percentage of investment, the Canadian Pacific Railway paid one-sixth and the Canadian National Railways one-twenty-fifth of the taxes paid by Gray Coach Lines, Limited.

Attention is directed also to the accompanying charts, which illustrate graphically a comparison of the annual per vehicle motor coach tax in Ontario and in the several states of the United States. Reference to the chart showing the tax paid in dollars per motor coach per year will indicate that the levy on the motor coach in Ontario is greater than that in effect in 39 of the states of the American Union. When the comparison is stated in terms of the number of times the motor coach tax exceeds the average tax paid by all motor vehicles, as in the second of the two charts, it is revealed that the differential against the motor coach is greater in Ontario than in all but three of the 48 states. Inasmuch as it was stated recently by the National Automobile Chamber of Commerce that the motor coach is the highest taxed public utility in the United States, the relative ranking of the Ontario motor coach taxes in the two indices cited is a fact of major significance.

These tables are very easily read. The main point of the first table is that the States with the same climatic conditions, the same density of traffic and the same development of their highways as Ontario -- that is, the neighbouring states such as Michigan, Illinois, Pennsylvania, New York, Massachusetts -- tax their motor vehicles only from one-quarter to one-third what we do here.

(d) Relation between Motor Coach Highway Taxes Paid,

Motor Coach Use of the Highway, and Highway Maintenance Cost:

Comparison of the taxes paid by Gray Coach Lines interurban services per mile of highway traversed on typical highways over which the company operates with the cost of maintaining these highways indicates that the motor coach services have been shouldered with an altogether disproportionate share of highway maintenance costs. Herewith are cited the maintenance costs on three of the typical routes operated by the company, according to figures furnished by officials of the Ontario Department of Public Highways:

HIGHWAY MAINTENANCE COSTS FOR THE
YEAR 1931

Toronto-Oshawa	26.42 miles
Total maintenance cost	\$12,205.88
Average maintenance cost per mile	461.99
Toronto-Orillia	75.8 miles
Total maintenance cost	\$34,298.94
Average maintenance cost per mile	452.49
Toronto-Niagara Falls	68.74 miles
Total maintenance cost	\$45,944.21
Average maintenance cost per mile	668.37

As already indicated in subsection (b) above, the average tax per mile of highway traversed by Gray Coach Lines interurban services is \$143.38. The average maintenance cost per mile, including snow cleaning, on the three routes mentioned is \$527.62. It at once becomes apparent that Gray Coach Lines, Limited, is paying 27 per cent of the entire cost of maintaining typical

highways over which its services are operated. As already stated in section 16, subsection (b) of this statement, the maximum use by the motor coach of the highways in Ontario, expressed as a percentage of all highway traffic, varies from 0.67 per cent in the summer to 1.65 per cent in the winter. The Commission submits that these figures are ample basis for the assertion that the motor coach in Ontario is paying in taxation an amount greatly in excess of its equitable share of the cost of maintaining the right of way which it uses. It should be pointed out, moreover, that the figures cited above do not indicate the total contribution of the motor coach to the cost of highway maintenance, as in many cases more than one motor coach service operates over a given route. In the case of the Toronto-Oshawa route the Gray Coach Lines services are paralleled by those of two other companies, --

That is the Montreal Company and the Collacutt Company. -- and in the case of the Toronto-Niagara Falls route by the services of two other companies over the whole of the route and of three other companies over part of the route. Were the taxes paid by these other companies included in the computation it would be found that on sections of some routes the motor coach is actually paying the entire cost of all highway maintenance.

The Commission desires to point out also that there is no foundation for the statement, frequently made by critics of motor coach services, that motor coach operations have increased the cost of highway construction by necessitating the building of heavier

types roads than would be built were no motor coach services operating.

The cost of maintaining the actual highway pavement structure on the Toronto-Oshawa route used by Gray Coach Lines, Limited, as stated by the Ontario Department of Highways, is \$76.06 per mile; the corresponding cost on the Toronto-Orillia route is \$49.32 per mile. As previously stated the Ontario Department of Highways collects from the interurban services of Gray Coach Lines alone highway taxes of \$143.38 per mile. Were the motor coach services operated by Gray Coach Lines destructive of highway pavements as has been alleged by interests antagonistic to motor coach operation, such low pavement costs as those quoted would be impossible of attainment.

Then we quote Mr. MacDonald, who states that the common carrier usage makes no difference to the design of the highways.

(e) Motor Coach Service Not a Subsidized Service:

The Commission feels that it cannot be emphasized too strongly that the motor coach service operated by Gray Coach Lines, Limited, is not a subsidized service. All of the routes operated by Gray Coach Lines traverse provincial highways in southern Ontario, the more developed and settled part of the province, and the present revenue from motor vehicle taxation not only covers the entire capital cost and maintenance of the provincial highways in southern Ontario but provides a substantial contribution toward the construction and maintenance of development roads in northern Ontario.

which produce very little revenue.

Incidentally that statement was approved by the Minister of Highways.

This statement is based on a summary of provincial highway capital and maintenance costs for the fiscal years 1929 and 1930, furnished to the Commission by the Ontario Department of Public Highways.

(f) On the Basis of Any Equitable Division of Highway Costs Motor Coach Already Overtaxed:

The Commission desires also to stress the fact that on the basis of any equitable division of highway costs motor coach services are already overtaxed. There is no reasonable justification, therefore, for further increases in motor coach taxation. Further levies on the motor coach could have no other effect than the penalizing without just cause of a transportation agency which unquestionably has demonstrated its economic utility in the field it serves. The burden of such penalty inevitably would have to be borne by the travelling public in the form of increased rates of fare which are not justified by the demonstrated facts of the case.

The Commission submits also that consideration should be given to the fact that the highway user is not the only beneficiary of highway construction. Not only the highway user but the province as a whole, the communities situated on the highways and the owners of property abutting thereon and in the vicinity are also beneficiaries.

What proportion of highway costs should be borne by the several beneficiaries is debatable. The Royal Commission on Transport, 1930, in Great Britain, recommended

that the assessment against the highway user should be two-thirds of the total. Questions of relative proportions aside, however, in the light of the fact that the motor coach in Ontario now pays a disproportionate share of taxation which more than meets the cost of the highways over which it operates, it cannot be said that the motor coach enjoys the use of a subsidized right of way on any basis of division.

COMMISSIONER LOREE: In the United States from 1900 to 1930 the railroads increased their capital investment 148 per cent, and their taxes increased 806 per cent. Have you any corresponding figures with regard to the motor bus?

MR. HARVEY: No, I do not think there would be any figures of value, Mr. Loree, because the motor bus in Ontario was first regulated only about 1923, so that there was no revenue from it previous to that.

COMMISSIONER LOREE: Do you think your taxes have increased in that proportion?

MR. HARVEY: No, they have not, Mr. Loree, because of the circumstances -- because there were none until 1923. Now, may I conclude this, Mr. Chairman?

CONCLUSIONS

1. The Toronto Transportation Commission through its subsidiary, Gray Coach Lines, Limited, provides a popular, convenient and necessary transportation service between Toronto and communities in the area tributary thereto.

2. The Commission is better equipped to give this service than any other agency because of the diversity of its operations.

3. The steam railways are not equipped to give, and have not wished to give, this service.

4. Such service has come into existence in response to insistent popular demand for common carrier motorized transportation.

5. Such service is almost wholly a new development, is very slightly if at all in competition with the steam railway, and its restriction or abolition would be of little if any benefit to the steam railway.

6. The service furnished is economical, reliable, safe and frequent.

7. Gray Coach Lines motor coach operation is fully and adequately regulated in all proper matters by the Government of Ontario.

8. Among passenger motor vehicles the motor coach is most economical in its use of the highway.

9. Gray Coach Lines motor coach services provide service-at-cost highway transportation.

10. Gray Coach Lines motor coach services, unlike other transportation agencies, have never received a public subsidy of any kind.

11. Operation of motor coaches over the highways in Ontario has not added to the cost of construction or maintenance of such highways.

12. Highways are a public utility and as such should be available for use by the travelling public without discriminatory taxation.

13. Motor coaches in Ontario pay more than is proper or fair in public taxation for the right to use the public highway.

14. All transportation services should be considered on their own merits. No one service should be taxed unfairly to benefit another; the economics of each should be viewed separately and not in relation to the other.

COMMISSIONER LEWIS: A very admirable presentation,
Mr. Chairman.

THE CHAIRMAN: We are much obliged to you, gentlemen.

The Commission adjourned at 12.15 p.m.

